

JPRS-EER-92-022  
28 FEBRUARY 1992



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# ***JPRS Report***

## **East Europe**

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**Dienstbier on Foreign Policy, German Treaty, OH**

92CH0345A Prague SIGNAL in Czech  
20 Jan 92 pp 2, 4, 5

[Interview with Federal Foreign Minister Jiri Dienstbier by Zdenek Cech and Frantisek Vonderka; place and date not given. "Jiri Dienstbier: A Credo Called Decency"]

[Text] It is very difficult to get to see Jiri Dienstbier. As foreign minister, he is often called to travel abroad on official business. He is the deputy premier of the Federal Government and the chairman of the Civic Movement [OH]. When he received us, he was nursing a mild case of flu, and had to count his time in minutes. He could see no controversy in the fact that he is the author of the concepts of our foreign policy and that he is dealing at the same time with our domestic policies. On the contrary, he sees it as something of a symbiosis.

[Dienstbier] In order to be able to enforce our country's integration in the civilized, advanced commonwealth of the European states, I must strive to create the same conditions in our country as well. I must endeavor to establish a tolerant and democratic political culture. And that is precisely what the Civic Movement is trying to achieve.

[SIGNAL] First, however, let us talk about your office as foreign minister. How long did it take you to gain a feeling of self-confidence there?

[Dienstbier] Excuse me—in that case I would have to separate two things. I have studied foreign policy—history of foreign policy, history of diplomacy, and so on—since my youth. Without that background I wouldn't be able to do that kind of work at all, because it is impossible to catch up with study in this terrible hassle, stress, and incessant travels. All one can do is to get daily new information and to assimilate it. On the other hand, all my life I used to be an independent intellectual or a stoker—an independent stoker, if you wish—but never before have I managed any office, not even a small one. And all of a sudden an office with eighteen hundred employees fell upon my shoulders, and what's more, it is an office that is disorganized and disintegrated—an office that had to be transformed from scratch, with no experience. But nothing doing; none of us have been ministers or deputies before, we could not have gained such experience, and so we are learning on the job.

[SIGNAL] You must have had certain ideals when you joined this ministry after November. Did you have to reassess them in some way since that time?

[Dienstbier] I did not need to reassess them. All I had to do was to reassure myself that it is far more difficult to actually do the job than to think about it and look at it from the outside. My first task was to make some strides in foreign affairs, regardless of whether the people here are capable of tackling it or not. Only that can show who can do the job and how soon the young neophytes here

will grow up. In that respect I am very optimistic because I was able to appoint some of them just a year after their graduation!

[SIGNAL] So, Mr. Minister, in some instances it was possible to prove wrong the world-wide belief that the training of a good diplomat takes many years. But what about the others...? Was there some negative experience as well?

[Dienstbier] Of course, it takes many years to train a good diplomat. However, we simply do not have time. These individuals may not always be adroit but they are fast learners. And if they make some mistake somewhere—after all, a person learns from his mistakes—then naturally, the main thing is whether they learn from them. Well, we did have some negative examples, and some new people even had to leave. For years they had been unable to do anything, and then all of a sudden they thought that they were entitled. Of course, they felt that they are not up to their tasks, and some began to act arrogantly, like big chiefs, and tried to find ways to go places as fast as possible. We did have a couple of persons who allegedly acted worse than the old officials who at least feared the Communist Party, while the new employees were not afraid of anyone.

[SIGNAL] You now have two years of service behind you. Which of your achievements in foreign affairs during that period do you consider the best?

[Dienstbier] It can't be put in those terms. Everything that is being done is in fact of equal importance because it is part of one great process. At present we have here actually a kind of curve from the first important agreement on the departure of the Soviet troops to the signing of the treaties on association in Brussels, which in effect means the first step toward our integration into advanced Europe.

[SIGNAL] However, certainly one of the key points in the process you mention was our new treaty with Germany. Our public discusses it everywhere, in the parliament as well as in village beer halls. Our question is—does the treaty contain certain points which you initially had envisaged differently?

[Dienstbier] It is not important what we had initially envisaged because in the beginning both partners come to such negotiations with their highest demand. Of course, that cannot get out from the meeting hall because then there would be no negotiations, and that would immediately lead to the position of prestige which various forces would demand that you defend. So in the beginning the controversial points are identified and it is determined which can be resolved right away and which cannot, then there are agreements on noncontroversial issues, which can be done in a week, and then discussions of controversial issues go on for long months. Political pressures that enter in the whole process, and everything, must be negotiated in all kinds of committees, by governments, deputies, and parliaments so that you may have some leeway for maneuvering and can say, "All

right, but we shall not cross this line." As for the German treaty, we were aware that it is a matter of general interest, and we really kept discussing it constantly with our national governments and frequently in the committees on foreign relations in the parliament. If now anyone complains that he had not known certain issues beforehand, it is because he could not have known them in advance since the last revision, the final version, is concluded by foreign ministers facing each other across the table; unlike the experts, they have the right to make decisions. They may argue for perhaps two hours about one sentence before they agree on a version acceptable to both sides. Thus, they reach a really good agreement based on bilateral interests; it includes issues on which both sides could agree and at the same time, it must contain all the safety measures so that neither side can interpret the agreement to its own advantage.

[SIGNAL] Mr. Minister, in the final edition of the treaty did you and Mr. Genscher discuss also the term *bestehende Grenzen*—in Czech, current or existing borders—which stirred up a great deal of polemics in our press?

[Dienstbier] We sure did, and then the lawyers added in Czech "state borders" because it is a term used in our treaties, but in German *Staatsgrenzen* may mean either borders between states or interstate border lines, for example, between federated countries. In recent years the Germans have been using on principle two terms for distinction—*Grenzen*, in Czech, borders, and *Landesgrenzen*, country borders. I hope that now everything will be clear and that no one will harbor any doubts. We have explained this already on innumerable occasions but if some persons still are not satisfied, then there is the four-plus-two treaty which is de facto a peace treaty with Germany and which states absolutely unambiguously that the unified Germany was established within the existing borders of the FRG and the GDR. Consequently, the borders are confirmed there on the highest possible level.

[SIGNAL] Therefore, can the series of attacks we have read in the press be regarded as a lack of actual information coupled, to use a harsher expression, with malice?

[Dienstbier] As regards some of our deputies, I would not say that it is coupled with malice. I have discussed it with them on several occasions; they are really worried. Rather, I think that this is a case of the past that is present in human consciousness—more in some people, less in others. This was demonstrated most of all by the term "expulsion" which was used intentionally. It expresses an ethical judgment of past events which were not very ethical because, to say the least, they violated the most essential principle of any kind of justice—individual assessment of each person's guilt. From the ethical point of view we must admit that we, too, or, let us say, our ancestors, did not act completely ethically. However, once this becomes a topic of discussion, and if it is emphasized, the historical correlations should also be stressed because it was not the only injustice that was done. In plain terms, this was the outcome of other

injustices. For that reason the term "expulsion" was used; we chose it also because it does not appear in the vocabulary of international treaties which use such terms as evacuation or something of that sort. Moreover, that sentence does not refer to the expulsion, and evidently, that particular word obscures the meaning of that particular sentence. The sentence in question refers to the obligation on the part of the governments of the two states never to rectify the consequences of the war; violence and expulsion cannot with any new injustice. That is what that sentence is all about! It guarantees that in the future no new acts of injustice of any kind might or could be committed. In my view—and not only in my view—that is absolutely clear. All along we consulted teams of legal experts. However, I can understand why some people are emotionally affected by that particular expression and why they are looking for some arguments at any cost just to get rid of the impression evoked by the word "expulsion."

[SIGNAL] You mentioned the term "expulsion" which in the emotionally excitable public has stirred up various attitudes and even frictions. The bottom line is that the principle of collective guilt had been applied against the Sudeten Germans. In this conjunction yet another concept occurs to us—the lustration law. There again is the collective guilt and it again violates the principle that every person's transgressions should be judged individually in order to avoid injustice.

[Dienstbier] Certainly. That principle is being violated. I did criticize the lustration law but if we want to develop a democratic political culture, we must recognize the validity of enacted laws. We must implement them, but that does not mean that we should not criticize such laws and that we cannot call attention to violations of principles which we want to enforce in our society. After all, we cannot use undemocratic means to build a democratic society. I conducted far stricter lustrations in this ministry than the lustration law requires. I did not demote agents from top positions, I simply terminated them because I think that they have no place in diplomatic service. But such a step was always taken only after we had thoroughly examined appropriate files and were able to review the case individually.

[SIGNAL] However, the current practice has elevated the register of files to sufficiently conclusive evidence, although it was compiled by agents of State Security [StB] which is considered a criminal organization.

[Dienstbier] The register of files is conclusive in one respect—that StB agents listed some individual in it, but that in itself does not mean at all that this particular person had known anything about it and that he actually was a collaborator. In addition, there are cases where it is demonstrable that some individual who had been coerced into signing certain papers experienced a great deal of trouble and dreadful nervous stress for two or three years whenever he would go there [to the StB] and refuse to tell them anything, so that in the end they

would leave him alone and take him off the list! Furthermore, I know even a case of a sixteen-year-old kid who had been beaten for three hours before he signed. The very next day he came to the Committee for Defense of Unjustly Persecuted and offered to make a public statement and send a complaint against the police to the minister. But he had signed a binding contract! All right—admittedly, the law really prevents some people from serving in higher posts. That will hardly drive anybody to insanity. I am not defending the StB agents or informers at all; I had enough encounters with them in the past. But I am concerned about the principle, so that no blanket verdicts of guilt be introduced in our laws.

[SIGNAL] The law is in force and as you say, it must be observed whether we like it or not. Of course, some people are trying to interpret it in their own way. What do you say about the "lustration" efforts by Deputy Devaty? He maneuvers with lists of alleged StB agents in your ministry. It is a mystery where he got them.

[Dienstbier] I do not want to make any statements in the press about the actions of our deputies. Mr. Devaty has repeatedly voiced his inquiry in the parliament. I have no answer for him—such as our laws demand.

[SIGNAL] Will you respond on some occasion to the charges Mr. Sladek is spreading about you and your ministry? He maintains that the Federal Ministry of Foreign Affairs is completely in the hands of StB agents.

[Dienstbier] I shall not respond to Mr. Sladek's slanders.

[SIGNAL] How do you explain that the people who are calling for a "radical purge" are precisely the same who in the past would do anything just to avoid any risks? On the other hand, today they loudly demand accounting for everything and from everybody?

[Dienstbier] That was always the case! After 1945 as well as after February 1968, I witnessed it as a kid and I remember very well that people who had been members of other political parties before February would act as the most dedicated Bolsheviks. In the same way, after the war collaborators often posed as antifascists. Once the battle is won, people with skeletons in their closets are usually among the most militant. After a long time I am rereading Peroutka's *The Building of the State*. It gives me great satisfaction to learn about the events of 1918 and 1919, and to know that in the end everything turned out well. It is quite natural that the same people who switched their banners not in November but maybe as late as December 1989, when everything had already been decided, must now prove to themselves that they also have made some contribution to the defeat of communism. Of course, they are doing so at a time when communism has long ago been defeated and they no longer have to fear it.

[SIGNAL] Naturally, the world will not judge us according to our more or less successful opportunists but

mainly according to the condition of our economy. In this conjunction, how do you view the ongoing economic reform?

[Dienstbier] I keep stressing that the economic reform is not a program of some political party. It is absolutely necessary for us to return to normal regulations of economic procedures interrupted in our country by the 40-year experiment which plunged us into catastrophe. The economic reform is—I repeat—an absolute necessity. The main thing is to implement it in such a way that it can really bring us democracy and prosperity. During his recent visit here Steve Rockefeller said, "The issue is not at all economy, the issue is democracy, even in economy. The issue is freedom in every area, even in business ventures." And I would add that indeed, that is essential. The reform must be done for the sake of our people; it must make them feel that it is their reform, though it involves hardships, and perhaps even more difficult days are yet to come. They must realize that they participate in it. They cannot be told, "You cannot say a thing about it, you are mere gears in the machinery, and you can sink or swim." They must see all correlations, not only economy.

[SIGNAL] Consequently, does the Civic Movement intend to emphasize social aspects and ecology as well?

[Dienstbier] As I said, no economic activity is its own end, it always involves people's interests. It is impossible to grant all the people every social guarantee all at once, however, they must know and be assured that they can create that security with their own efforts. For that they need somehow to breathe. And furthermore, no one should think that ecological problems will be tackled when there's money for that purpose. On the contrary, every enterprise, every new product must comply with ecological requirements right now or else we will again create more problems for the future. It cannot be said that there are some special social needs, some special ecological and some special economic problems—those are only different aspects of one and the same process. And to deify any of them will in the end turn the original idea into a fraud. The former regime used to say that social security is our most valuable asset, but in the end we were left with almost no security at all. The same applies to the deification of market economy. Without necessary regulations which are in the developed world quite matter-of-course, it must end in failure. The developed societies in the West are successful because they realize that everything is one process and that everything must be in harmony so that the system can function. If only some factors function, it is just for a short period and then it turns out that it was all wrong. If the situation is not rectified, the result is disastrous.

[SIGNAL] You said that our economic reform is not an issue of a single political party. Of course, most of our public identifies it with the name of Finance Minister Vaclav Klaus. He represents the ODS (Civic Democratic Party), and thus, many people believe that the reform is the program of his party. And the ODS began to shape its



election campaign accordingly. So far nothing much in this conjunction has been said about the OH. Why?

[Dienstbier] There are several reasons. One is that the economic reform is really the program of our entire government which includes also ministers who represent the OH. It may be simple to identify the reform with one name and it may be of certain importance for some, but in reality it is the effort of all parties in the coalition government. Of course, the different emphases are another matter. Another problem is that, unlike others, we scheduled our election campaign to start no sooner than in January 1992. We wanted the best working conditions and the campaign to be conducted only in the months designated for it. In view of its much earlier start we also must launch it at this time. By the same token, we recognize the danger that by spring our society may get so sick and tired of the pre-election haggling that it may not go to the polls at all, as it happened in Poland. That is another reason why we wanted to continue an atmosphere of efficient work as long as possible and to postpone the pre-election competition. Therefore, the OH has not yet begun campaigning as other parties, and so it may seem that it remains in the background.

[SIGNAL] You speak about efficient work. Of course, there are individuals who, instead of discussing joint endeavors, are debating about who can, and who cannot, play a role in our future, but they are making headway in the discussion.

[Dienstbier] What we now really need is that efficient work I mentioned. However, if somebody continues to spend his energy on nothing more than searching for some culprits, then it is proper to ask whether he is at all capable of doing anything else. Naturally, all injustice done to the people must be rectified. That of course is a constructive effort—to remedy injustice, but if somebody spends all the time doing nothing else but trying to look for new enemies and to find who else could be driven in the corner, then that has nothing in common with the needs of our society; that is nothing but that individual's personal ambition. I proceed from the premise that November 1989 happened also to liberate people from fear. And now some people are saying that they are beginning to fear again not only for their social security but also because of some extremists. However, that was not what that November was all about! At that time millions of people took to the streets and squares to be free of fear at long last!

[SIGNAL] Nevertheless, these times are full of stress again. As for the OH, it is getting to be known above all because of the attacks by the competition.

[Dienstbier] We do not intend to bring any such attacks into our public life. On the contrary, we want to offer peace, tolerance, and democratic discussion. We know that our people are tired of all the endless squabbles, and we, too, are tired of them because that distracts us from

our work. If the election campaign opens all the water-gates, everything could turn in the direction of fanaticism, hatred and dirty tricks; our political spectrum would split and the logic of a fierce battle would drive the parties to bigger and bigger extremes. Instead of such polarization, we want to build a community of all decent democratic, tolerant, and constructive forces that will oppose extremists of every stripe. That is our fundamental credo. Decency. The common denominator here must be the effort for a democratic common state and for a radical economic reform, and all that must be done for the sake of human freedom.

[SIGNAL] You were a candidate of the Civic Forum [OF] in our first free elections. It split into several parties which differ in many of their concepts. Do you think that the OH and the ODS may consider renewing their coalition after this year's elections?

[Dienstbier] I think that if the election campaign is conducted in a decent manner, in every party the factions that favor cooperation will be strengthened, and the extremists will be driven off to the sidelines. In the ODS there are many decent, honest, and hard-working people who represent such a core of the authentic right wing, without which it is impossible to achieve the necessary balance of any political spectrum. Naturally, we are ready to cooperate with them at any time. After all, we did not destroy the OF. We are ready to cooperate on every level; we are already cooperating with those who show good judgment. If there is no cooperation, that is not because we do not want it but because somebody else does not want it. What we need at this time is the greatest success for the forces that do not want to polarize our society and on the contrary, that want the broadest possible cooperation as much as we do. We shall enter in a coalition with them according to the results of the elections. I presume that obviously the ODS will be well represented in the parliaments. We believe the same about the OH, and therefore, it is logical for us to consider a coalition.

[SIGNAL] Nevertheless, what if the elections do not turn out according to your expectations, and what if someone else will occupy your chair in the ministry?

Do you think that the course of our foreign policy has already been sufficiently established and predetermined so that your potential successor could not introduce fundamental changes but must continue to follow the adopted course?

[Dienstbier] I believe that he would have to continue this policy—if for no other reason than because no one thus far was able to come up with any other alternative. Basically it does not matter who the foreign minister may be. Theoretically, a disastrous possibility exists that Czechoslovakia could break up, or there is the danger that the political spectrum could be splintered and that the extremists would win the elections. In view of the maturity and tradition of our nation, however, I regard that as practically impossible.

### Treaty Alone Cannot Bring Political Stability

92CH0321A Prague LIDOVE NOVINY in Slovak  
28 Jan 92 p 3

[Commentary by Stefan Hrib: "The Treaty, Slovakia, and Democracy"]

[Text] It looks as though a key role in the decisionmaking about our country will be played by a document that, paradoxically, is nothing exceptional in and of itself. Many people even consider it to be totally superfluous. The treaty concerning constitutional organization. A prosaic decree about the fact that two small, Central European peoples want to continue down the path of history next to each other.

The need on the part of a portion of the Slovak political representation to proclaim the obvious, which may at first seem somewhat childish, stems from its long-standing inferiority complex as members of the less populous of the two nations in a common state. It is a fact that this declaration evokes on the part of the Czechs a feeling of being attacked by the Slovak side. It is a feeling that the Czech Republic is being rebuked for its arrogance and condescension towards a younger, and as it were a less intelligent brother. This is a mistake. The position of older or younger brother is never the fault of either. It is a natural outcome of the existence of a temporal dimension in human and national life. For some of the responsible Slovak politicians, let us call them the national realists, it is simply a treaty, an act entered into by equals, and perceived as a necessary confirmation of their own maturity.

It is clear that the treaty is unnecessary for the Czech side. It is also clear that the signing of a treaty between the two republics means, for the Czech side, opening itself to the danger that many Slovak politicians, due to a lack of responsibility, will harm the ticket to maturity that the treaty represents by pressing on with their demands for an independent Slovakia. Moreover, the Czech side is painfully aware of the very true fact that for a large number of Slovak politicians (possibly even for the majority) words about the national emancipation process serve only as a smoke screen for their own power ambitions.

Despite these real dangers, it is the turn of the Czech side to choose. This does not involve giving in to Slovak demands. It is not a struggle of one with another. The game today is being played for far higher stakes. The decision of the Czech representatives will clearly affect to a significant extent the existence of democracy in Slovakia.

In other words, if the current coalition, which is, despite all reservations, the only guarantee of constitutionality (and therefore democracy) in Slovakia, does not conclude a treaty, the turn will come of another coalition. The composition of this other coalition, its ideological foundations, its "background investigation" potential and overall infantile behavior is a sure guarantee of

future poverty for Slovak citizens. To say nothing of the future prospects for a common state.

There are two possible objections here. The first is that election research has clearly shown that the future Slovak governing coalition will in one way or another be a mixture of nationalists and former communists, and therefore that current Czech steps to meet the democratic coalition half way are superfluous. The second objection is that if the Slovak citizenry freely elects such a leadership it is no one's responsibility to protect them from those leaders.

Both of these postulates are to some extent wrong. The first assertion is a pure hypothesis. Research and the actual elections are two different things. Just to illustrate, shortly before the most recent elections, the Public Against Violence (VPN) showed an eight percent preference rating, yet convincingly won the elections. Moreover, the signing of the treaty and the feeling that we have achieved a just constitutional organization will be a powerful argument for the 30 percent or so of the Slovak voters who are still undecided.

The second assertion is the absolute truth. It is no one's responsibility to protect another people. It is however the right (and possibly a sign) of a truly mature people that does not look only inward on itself. It is an indication of civic magnanimity.

### Czech Writer Defines Grounds for Coexistence

92CH0347A Bratislava KULTURNY ZIVOT in Slovak  
6 Feb 92 p 7

[Article by Zdenek Eis: "Czech Obligation—Seen From Prague"]

[Text] We can approach every problem which we are experiencing or in which we are interested from different perspectives. Among several such options the generally preferred viewpoints are those that result in sharply opposing standpoints. It is the notorious either-or, the black-or-white, Bratislava-or-Prague, national-or-federal, Czech-or-Slovak. Such a sharply drawn line leads to a schematic view. If I use the words "seen from Prague," it only means that I want to maintain the Czech perspective with full understanding for Slovakia and for the Slovaks.

The view from Prague shows me with increasing clarity that the Czechs need to be taught to understand Slovakia and its traditions. Slovak traditions which have grown from Slovak roots are different from Czech traditions. In the same way, we may look for the roots of quite a few misunderstandings and incomprehension in our disparate historical development. And then those misunderstandings have given rise to many acrimonies between the Slovaks and Czechs and, naturally, also the other way around.

It is axiomatic that the Slovaks should help educate the Czechs. Nations as well as individuals not only take—

they also give. Obviously, the Slovaks have been doing that in the past, already since the late 1950's, and particularly in the 1960's when a good tradition was developed in Slovakia: To train in the Czech lands Czech experts on Slovakia. However, in the subsequent period of normalization people were divided according to criteria of class and normalization. That ended the good tradition. Slovak studies had not been fully accepted in the Czech lands and where they were accepted, their effect was only marginal and thus, also incomplete.

When I mention Slovak studies in the Czech lands, I do not refer to science, journalism, the educational system, culture, and literature alone, but to the whole public life. To this day I have never stopped wondering why the Slovaks show such minimal support for the development of Slovak studies in the Czech lands.

The essential error on both the Slovak and Czech part in the past 40 years was that in Prague "Slovak problems" were left exclusively to the Slovaks. Thus, the Czech side got rid of "Slovak problems" very easily by leaving them to the exclusive care of the Slovaks, and on its part, it did not concern itself about "Slovak affairs," nor did it view them from the Czech perspective. Naturally I am not against the idea that the Slovaks represent their legitimate interests in Prague. However, that cannot be everything! Unfortunately, this is exactly what happened, and we are feeling its consequences to this day. The Slovaks simply failed to foster their natural allies in the Czech lands who could interpret Slovakia in an objective as well as informed manner.

What does such an approach toward Slovakia bring us Czechs? In addition to certain honorable exceptions (history, literary history, and to some extent, also linguistic and folkloristic studies), we in Bohemia cannot deal with Slovakia objectively and expertly. Once when I edited *REPORTER*, I tried to find a Czech who could write about Slovakia's economy from a well-informed Czech point of view. I failed to find one. In fact, after 70 years of our coexistence in the same state, we in Bohemia find ourselves in a situation where several fields of Slovak studies still remain a Cinderella.

This blunder in our mutual relations cries to high heaven. This Czech failure (and partly also the fault of the Slovaks) is most glaringly reflected in current politics. In the Czech lands it is nothing unusual to make some stupid "goof" about Slovakia in newspapers, politics, or in the Federal Assembly. The matters have gone so far that sometimes the senseless statement goes unnoticed because most of such senseless statements are never corrected. Czech journalists who often quote silly expressions of politicians "spread" them further—objectively as well as by implication—and thus, they sow a bitter weed in the souls of their Czech readers, which as a rule goes hand-in-hand with the now already "inevitable" ironic comments. In addition, such nonsense is peppered with flippancy. The program of our coexistence cannot be based on irony and flippancy! After all, understanding

should be our first and foremost objective. If we understand each other and realize what each side wants and needs, only then can we joke about each other and sharpen our wits on either side of our national border.

What the Czech-Slovak relations need the most is a program. A program for what? Alas, for just about everything. In the Czech lands we must proceed consistently from the following basic assumption: Slovak identity must be preserved and supported in its full extent and scope. There I see the bottom line. For seven decades while the Slovaks participated in the building of Czechoslovakia they identified themselves as a sovereign nation, and it is the obligation of the Czechs to respect precisely that attitude unconditionally.

Every national identity, and thus, also the Slovak identity, has its "limits." It is up to the Slovaks to define their own limits. Nobody else can do that for them. The relatively well-known rule of thumb is: I may demand and realize my national and personal identity in only one way—if by demanding it I do not harm others who are entitled to the same personal and national rights. The fundamental humanistic approach is always based on human and civil rights whose first commandment is tolerance, in other words, recognition that others are entitled to the same national and personal rights I claim for myself.

What actually have we done in the first free elections after decades of oppression? It turned out that to our three legislative bodies we elected many squabbling Czechs and Slovaks who prefer their narrow political and partisan interests over the interests of their electorate. As a citizen, I want to stress that. When we go to cast our ballots let us keep our eyes precisely on those deputies. Let us ask each candidate who wants our vote how he voted in the Federal Assembly and in national councils on this or that issue about which we citizens are concerned.

I expect that the politicians on both sides of the national border who competed for our vote in the elections will take pains to formulate and "think through" essential problems between the Czechs and Slovaks. Which ones?

In my view, there are three: What is the Slovak nationality at the end of the 20th century? How and in what way is the Czech nationality expressed today? And finally, the last and most important question: Should we continue to live in a common state? What does Czechoslovakism mean today as a federal idea of a state shared by two equal nations and by nationalities currently residing on the territory of the Federal Republic?

At this time the answers to all three questions are relevant. Our potential future coexistence cannot be based merely on material foundations and on possible material advantages and disadvantages of the federation. In my opinion, that cannot keep any federal state "running." I see the basis of our newly formulated federal coexistence in the area of common ideas and in the ethical principle which in practical issues always



reminds me why we Czechs should live with the Slovaks in a common state in Europe.

This is the basis of our most urgent tasks. A discussion about them should be encouraged because thus far we have been living in a half-built house where after more than 70 years we encounter a relatively frequent presence of the principle of unfinished building instead of foundations that could support a solid structure for satisfied citizens in a completed and thus also shared house.

As for my own part, I fear most of all that the Czech as well as the Slovak political representatives are more concerned about material advantages and disadvantages of our coexistence and are paying less attention to our common ideas and moral principles—ideas that to this day have held us together.

The citizen of our federation has been making his wishes known for a long time. However, some politicians and journalists fail to respond to such demands of their voters and add to problems with their poorly chosen words and with their attacks, with their irony and ridicule. This is habitually done by part of political representatives and by part of the journalists in any democratic state. What is wrong with it is that these parts are often pretending to represent the entire nation.

After all, as a Czech I cannot be held responsible for those politicians and journalists who are stirring up mud in the Czech lands just as I cannot accuse the Slovak nation of doing the same in Slovakia. As a Czech I do not wish to be identified with anyone who stirs up mud.

#### **New Secret Service Keeps Old Ways**

92CH0324A Prague RESPEKT in Czech 19 Jan 92 p 4

[Article by Jaroslav Spurny: "Surveillance, Bugs, False Documents: Methods of the Secret Service"]

[Text]

#### **Internal Enemy**

The tasks of the secret services include infiltrating those organizations that use terror to further their political aims or that are suspected of planning the violent overthrow of the government. In democratic countries the rules for infiltrating similar organizations (using agents, intelligence gathering equipment, and surveillance) are limited by laws governing the secret service. Agents can gather information about terrorists or potential coup participants but under no circumstances are they allowed to move against them. This is the job of special police units, which can take action only when the law has been violated. In socialist Czechoslovakia everything was different. There was never any discussion of terrorists or coup participants. The counterintelligence jailed, interrogated, and bugged or tailed someone whenever it found it expedient.

Perhaps the saddest chapter in the history of communist counterintelligence services was the recruiting of agents for the struggle with the internal enemy. Informers were often active, frequently with little or no compensation, not only for example within Charter 77, but also amongst doctors, enterprise managers, in hotels, prisons, etc. This resulted at times in paradoxical situations where State Security tried to infiltrate an opposition group with an agent and was not able to do so, while at the same time someone worked for the group who had been recruited by another section for another task. In October 1989 State Security had available roughly 10,000 agents providing it with effective information. These reports saved the State Security apparatus a lot of money that it would otherwise have had to spend on the surveillance and bugging of "developed objects."

#### **Surveillance**

Surveillance throughout the world is a service provided by counterintelligence at the request of an operative. Surveillance on a Czechoslovak citizen is approved by the director of a section, and surveillance on a foreigner or a member of a security unit must be approved by the Federal Security Information Service (FBIS) director. Today a relatively small group of surveillants work for FBIS. Several times more work for the Federal Criminal Police.

In the former State Security this activity was the responsibility of the Fourth Section, which had about 1,200 surveillants. (In addition, each region had independent divisions, each of which employed about 100 people.)

Most frequently these groups executed so-called planned projects. The center first would determine if the suspect had been under surveillance at any time in the past, because of a need to know the suspect's movements and the people he or she associated with. Based on this information so-called support points were identified. These were fixed places from which retired counterintelligence agents (the so-called geezer structure) could observe the suspect with binoculars. These preparations took about a week.

A project would begin with the "identification of the object of surveillance." This meant simply that someone needed to show the surveillance team its victim. Sometimes photographs were sufficient. At least 20 people were assigned to a single suspect, and this group had available 8-10 cars. Members in a surveillance team were required to maintain as proper an appearance as possible. One never found men with long hair or ear rings in these groups.

Several surveillance techniques were used. Sometimes the route could be predicted along which the suspect would move (for example the route to work). In these cases it was not necessary to use a "shadow" rather the surveillants would walk in an opposing direction, or wait

at specified points, where they could alternate. Specialists did not leave suspects alone even in restaurants. On the ministry's bill, they could consume up to a liter of wine each.

Surveillance groups were also responsible for contacts. If a suspect stopped for a word with a person, the group would split up, with a part of it following the contacted person. They would determine where that person lived, then check all the tenant in the building at the residents documentation division, and identify the person based on their photograph at the citizen's passport division. If State Security wanted to make its work easier, it would radio the police to have someone check the passport of the person in question. (In addition, State Security stored in its computers the license plate numbers of all automobiles).

#### Secret Apartment Searches

A report on this project was then written (a compilation), which described in detail the actions of the suspect. The project was documented with photographs, and sometimes video cameras were used. The camera was concealed in a small briefcase, and many were located in the handle. This system (Ajax) became common knowledge quickly, and foreign agents knew about it.

Another intelligence gathering measure is secret apartment searches (a secret technical search, "iron" in the jargon). Those performing the search waited until the tenants left the apartment. The surveillants followed not only adults to their jobs, but their children to kindergarten. While the surveillants remained on station at the job and the kindergarten, a group of technicians would enter the apartment and search it. Sometimes they would install a bug. If any of the tenants "moved" during such a project, the project was terminated immediately. This would also happen if a surveillant lost a suspect.

Surveillance was used on a one-time basis (one day), as a short-term measure (up to six days), or over the long term. In the latter case, three shifts of surveillants alternated on the object of interest, and bugs were installed that were staffed around the clock so that everything could be recorded. The listening device would sometimes be discovered. Operatives were on call for these instances. The operatives would immediately detain the suspect and take the device away from him.

State Security could also use open surveillance to frighten suspects. These cases, however, had to be approved by the deputy minister. The surveillants made themselves known, walked a couple of meters behind the suspect, or tailed his car at very close range. Several groups were dedicated to these activities, and their members did not participate in regular surveillance. This kind of annoyance had an immense psychological impact, and removed the suspect for a time from "unfriendly" activities (if the suspect had been engaging in them in the first place).

#### Bugged Telephones

Surveillance techniques are more or less the same throughout the world. The same is true of intelligence gathering equipment, and especially bugs.

The most widespread of these is the bugging of phone conversations. These are conducted in two basic ways: Either a listening device is installed in the microphone of the telephone equipment, or technicians link to the phone beyond the wall box. Through the telephone it is possible to listen to what is said in a room even when the tenant does not make a call. The headset microphone is not very sensitive, however, so this technique is not very effective. Several employees of telephone switching centers were used for telephone bugging. These people would route calls to a bugging center operated by State Security. These people, however, were never entered in the register of agreements as agents. The surveillance unit also had at its disposal a control panel that allowed it to bug every telephone booth in Prague. It was also possible to identify the station from which the call was placed.

Among the communist regimes the Stasi was the farthest along in telephone bugging technology. It was able to use international phone cables to link into the West German network, and also had Vienna under its control.

#### Wall Bugs

There are two basic systems for bugging rooms: wire and radio. The telephone is used for the first kind of system. Technicians drilled a hole in the wall, installed the bug with a power source, closed the hole with fast drying plaster, then dried the wall with a hair dryer. They ran a wire to the telephone cable, then wrote down or recorded in the bugging center. If the suspect did not have a telephone, the agents would try to recruit neighbors (with almost 100 percent success) and would run the wire to their telephone. They then entered the name of the neighbors in the agreements register as secret collaborators.

Wireless (radio) bugs was used less frequently. To do so, a microphone and transmitter was installed in the wall, on the back of a cabinet, on the underside of a bed, or in a door. The range of the transmitter, however, was very short, only 10-40 meters. Again, at a neighbor's or in a car outside was a support point, in this case a device through which the sounds were again transmitted to phone lines and from there to the bugging center. Less frequently someone would sit at the support point and write down what transpired.

Directional microphones with a range of up to 40 meters were also used for bugs. These could not be used, however, on the busier streets. Western intelligence services use laser equipment. In these devices, a beam is aimed at a window. The voices of those speaking in the room make the window glass vibrate, and the device records the conversation by interpreting the vibrations.

Radio bugs were also used for meetings between agents and "developed facilities." For example, before a meeting in a restaurant wall bugging devices with integrated microphones would be installed underneath the table top. The agent would bring the suspect to the bugged table and the conversation would be transmitted to a car in front of the restaurant where it was recorded. The microphone was then removed after the meeting.

In selected hotels the fifth section of the surveillance unit was legally employed. These people handled surveillance within the hotel and were responsible for housing guests in which counterintelligence had an interest in so-called "warm rooms." These were rooms that were bugged, but which also had a video camera aimed at a specific place, usually the bed. A State Security employee would always have a recruited agent among the reception staff or management of a hotel who would do their bidding when assigning "guests of interest" to rooms.

#### Falsifying Documents and Analysis

Included in "intelligence gathering technical missions" was the task of falsifying different items of paperwork. Operatives were equipped with "cover" documents. These included not only false citizen passports, but also documents that gained them entrance to specific enterprises without having to blow their cover by using their identity cards. Passports and other documents of foreign countries were also falsified.

This division also produced false documents, materials, when the intelligence service needed to discuss an undesirable person.

Perhaps the most important component of the intelligence service is the analytical division. This is where the materials gathered by operatives were sent, as well as where experts evaluate the press and television accounts from that part of the world in which they are trained. The analyst must be able to identify the source of the greatest danger at a particular moment, and must inform the operative of this as a basis for actually finding that operative. The analyst is a completely independent person, fully responsible for his own decisions.

At State Security, an analyst reported to the division director. He would evaluate plans and help to suppress counterintelligence activities. This was particularly unnecessary work because the plans could not be changed in any event and operatives functioned according to ideological guidelines. The analyst compiled reports and processed announcements, documented the travels of section agents etc. In short words the analyst was a simple bureaucrat.

#### End of State Security Counterintelligence

The Second Section of State Security, the counterintelligence unit, actually ended its official activities on 28 November 1989. On that date its employees received instructions, from which we cite below (abridged by the editorial office):

"The complex political situation points to an undoubted enemy objective to liquidate the socialist social order in the CSSR. The external enemy is counting on eliminating the leading role of the Communist Party of Czechoslovakia, and the internal enemy is trying to expand his political influence. We are therefore announcing the following priority tasks for State Security:

- Use the established agency network and official contacts in identified facilities to keep open the option of integrating State Security employees into their structures if necessary.
- Significantly increase conspiratorial operative activities.
- Reevaluate the agency network, placing more emphasis on agencies engaged in cultivating influence and position, and maximizing agency activity.
- Reduce the political activity of church representatives, using agencies engaged in cultivating influence.
- Set up a high-quality influence agency as soon as possible for the mass communications media.
- Direct active operations on providing disinformation for the enemy, compromising leading representatives of rightist groups, and deepening ideological, personal, and program conflicts amongst these groups.

Methods of surveillance and the use of intelligence gathering devices remain the same in Czechoslovakia, and the same people continue to work in the intelligence gathering offices. Investigations against them must be approved by the prosecutor, however. The FBIS also uses cover documents, and even analysis has not changed much. It remains a newspaper clipping service.

The Federal Security Information Service has been limited by law since May by a law passed by the Federal Assembly. This is the only way in which it resembles the CIA or BND (Federal Intelligence Service of FRG).

#### Recent Events in Party Politics Reported

by HD324B Prague LIDOVE NOVINY in Czech  
(28 Jan 92, p. 1)

Article attributed to "our reporters": "Who Is With Whom, and Where?"

[Text] Prague, Brno, Bratislava—We are presenting a concise overview of events in political parties, as these have been noted at many press conferences yesterday by our reporters.

The fact that the Civic Democratic Union-Public Against Violence (ODU-VPN) has formed an election coalition with the Civic Democratic Alliance (ODA) does not mean that it will not continue to cooperate with the Civic Democratic Party (ODS). This was announced by Martin Porubiak, chairman of the ODU-VPN.

Another representative of this party, delegate Ernest Valek, defends the signing of a treaty between the Republics more on psycho-political grounds, not on legal grounds.

V. Benda, chairman of the Christian Democratic Party [KDS] thinks, that a portion of the guilt for the negative reaction of parliament to the passage of constitutional laws rests with the president, because he submitted five proposals and withdrew only one of them. This, according to V. Benda, caused increased tensions and complicated the possibility of an agreement between the main political forces. The KDS will be supported in the elections by the Pan-European Union of Bohemia and Moravia, which is a political movement that advocates European unification on a Christian basis.

The Liberal Democratic Party [LDS] is resolving internal problems. One faction, loyal to the current chairman, V. Hradiska, decided over the weekend to form a coalition and eventually merge with the ODA. The remaining members do not intend to support this. They support the former chairman, E. Mandler.

The chairman of the Slovak National Union [SNÚ] Stanislav Panis, said that his party plans to celebrate on 14 March the creation of the Slovak state, and is interested in other nationally oriented parties joining them. The objective of the SNÚ is the spread of nation-building enlightenment amongst Slovaks at home and abroad.

The Movement for Independent Democracy—Association for Moravia and Silesia will form an election coalition, probably by mid-February, with the Liberal Social Union [LSU], which is made up of the Czechoslovak Socialist Party, the Agrarian Party, and the Greens Party. The Movement has already passed a platform for the election campaign. The platform includes a demand to reinstate the death penalty and residence qualifications for gypsy fellow citizens.

#### Report on Czechoslovak Armaments Trade

92CH03294 Prague RESPEKT in Czech  
Feb 92 pp 6

[Article by Ivan Lamper and Vladimír Mlýnar "Klondike—Czechoslovak Trade in Armaments"]

[Text] For two years now there has been talk in Czechoslovakia about conversion. President Havel and Foreign Minister Dienstbier frequently repeat the statement that we are determined to put an end to arms deliveries to suspect regimes and to areas of conflict. However, facts are a little different. Behind the curtain of big words, trade is continuing as before. Only, everything is a little wilder because the ideological coat of armor has sprung a leak and the preserved commercial network is operating completely without control.

#### Yugoslavia: \$1.5 Million

"Gentlemen,

"We would like to inform you that we have a contract for delivery of goods to Nigeria. Attached, please find the listing of goods and a certificate regarding the end user. No. 129 BL 94126."

This is how the letter began which, last year on 15 October, the commercial director of the Slovak firm of Unimpex, Ltd., Miroslav Louma, sent to the Hungarian foreign trade corporation, Technika Budapest.

The letter further states that the "materials mentioned in the listing should be assembled in Budapest in the green line zone so that they can be dispatched from there by air directly to the final consumer. The merchandise will be transported to Budapest on board cargo trucks from the Romanian-Hungarian border. We hereby courteously request that you provide us with a transit license from the Hungarian border to the green line zone and that you take care of other necessary formalities."

It is not customary for a Czechoslovak shipment of goods to wander to Nigeria via Romania and Budapest. There is, after all, a shorter and more logical way, via Hamburg or Frankfurt. However, Unimpex had some very good reasons for its circuitous route. In part, these are already explained on the basis of the listing of the delivered "material."

Certificate No. 129 BL 94126 (issued by the Ministry of Defense in Lagos on 21 June 1991) was signed by a Major L. Ogando, an officer of the General Staff who is responsible for equipping the Nigerian Army. What is involved here is the so-called end user, in other words, a certificate stating that the recipient will not rent, lend, or sell or donate the equipment to anyone else. The certificate contains 16 items, including, for example:

- 500,000 AK-74 (Kalashnikov) submachine guns
- 200,000 Model CZ-75 and CZ-85 pistols
- 200,000 UZI submachine guns
- 100,000 M-16 automatic assault rifles
- 200,000 hand grenades
- 10,000 mortars
- 10,000 antitank rockets, etc.

If we start with the price list of the competitive private firm of E.M.I., then the price tag for just the Kalashnikovs amounts to \$625 million; the entire shipment comes to more than \$1.5 billion. Such a mammoth business transaction for the most part succeeds only during wartime. Other details of the contract indicate that this is precisely what is going on.

#### Purchases Via Nuremberg

In world trade involving arms, Nigeria is considered to be the most well-known intermediary. The officials in Lagos are not overly concerned with adhering to the conditions of the certificate and are known for being willing to reexport armaments shipments to practically anywhere, for an appropriate commission. And it is not even necessary, for such purposes, for the goods to reach Nigerian territory, at least by way of a formality. That is



why certificate No. 129 BL 94126 carries a highly interesting remark: "We also confirm that our exclusive purchaser for this transaction is the firm A I Trading GmbH."

A I Trading has a seat in Nuremberg at Aldringenstrasse 19 and is not unknown to the representatives of Unimpex. Last year, in the spring, Mr. Louma, "acting on the basis of previous correspondence," offered to sell them 30,000 Scorpion submachine guns (at \$480 a copy) and 10,000 Model CZ-75 pistols (\$350 each). The transaction was to be completed by 30 August 1991.

It is only with difficulty that one can imagine that Germany, which is the sixth largest exporter of weapons in the world, would need to rearm its Army, particularly with Czech submachine guns. In other words, the entire shipment is, with the greatest probability, destined for a third country. The destination is best known to the man who accepted the Unimpex offer on behalf of A I Trading. He has a German-sounding name: Ivan Alilovic. He would also clearly be able to explain why hundreds of thousands of submachine guns and grenades "for Nigeria" are coming together in Budapest, via Romania, which is so close to the Yugoslav border.

#### **We Can Do Nothing**

At the Prague office of Unimpex, they refused to comment on the Lagos contract and on any relationships with A I Trading. They only told us that M. Louma was on a long official trip outside of Czechoslovakia.

The director of the KOVOM Department of the Ministry of Foreign Trade, Stefan Glezgo, who issues permits to export weapons, is informed with regard to the contract held by Unimpex with Nigeria. "I know about it, but, so far, no one has submitted an application for a license," he says. In his opinion, a transaction of such unbelievable scope is very likely only a covering maneuver intended to attract the attention of officials and to conceal a mass of smaller business transactions involving the same partner—the Yugoslav Federal Army. "Of course, we will not allow this contract, but that is not what is at stake here. What is at stake here is for us to be able to somehow prosecute the people who plan such things and possibly even put them in jail. As long as we do not do so, then, in a short while, this country will turn into a Klondike. Unfortunately, we are powerless at the present. While we will refuse to append the stamp permitting this transaction, we cannot even initiate an investigation."

Another high-ranking government official, who does not wish to be identified, was even more pessimistic. "I doubt whether those who are capable of concluding such a massive commercial transaction would be scared off by the absence of one missing stamp. They know the ropes, they have extensive contacts, and in this branch of industry, we are talking about unreal money. We stand against them with empty hands and in an absolute legal vacuum. There is no law which would provide a clear framework for the export of weapons. There is merely a

confusing array of government decrees which go off in various directions, are mutually contradictory, and, mainly, carry no weight at all."

#### **A Single Individual Makes the Decisions**

In recent years, trading in armaments has accounted for virtually 8 percent of our gross national product. Under the communist government, the rules of export were governed by the directives of the party apparatus, which consulted with Moscow regarding every decision. The sole exporter was Omnipol, whose director was simultaneously the deputy minister of foreign trade.

In 1990, however, the situation changed radically. In Slovakia, a pair of export organizations came into being: Martimex and Unimpex. After Minister Baksay became federal minister of foreign trade, Unimpex was able to prevail with its well-known delivery of 250 tanks for Syria and rapidly became the principal domestic competitor of Omnipol. At the same time, tens of private firms came into being which deal with the sale of arms. Key roles in these enterprises are frequently played by former generals of the Czechoslovak Army, people dismissed from Omnipol and the StB (State Security).

In order for any kind of commercial corporation to be able to trade in weapons, it first requires permission from the Federal Ministry of Foreign Trade, permission which is granted by the chief of the KOVOM Department, Stefan Glezgo. This 36-year-old man, who formerly headed a department at the (Kres National Committee in Rimavska Sobota, is not only a high-ranking official of the Federal Ministry of Foreign Trade, but, at the same time, a delegate to the Federal Assembly for the VPN (Public Against Violence) and a member of the Defense and Security Committee of the parliament. In other words, executive as well as control power is concentrated in a single individual.

Today, some 28 Czechoslovak firms hold permits to sell arms, virtually 20 of them are private firms. Once it has permission from Mr. Glezgo, a firm can negotiate the purchase of weapons with the manufacturer or with the Army and can offer them freely for sale. To the extent to which it succeeds in concluding a contract and receives an end-user certificate from the recipient of the shipment, the firm can request that the Federal Ministry of Foreign Trade issue it an export license, or possibly an import license. The decision as to who receives such a license is again made by S. Glezgo. The documentation supporting such a decision is processed for him by the pre-November director of Omnipol, Engineer Fritzl. With the license in its pocket, nothing can prevent the firm in question from the practical implementation of the transaction.

#### **Libya: License for Tank Specialists**

Czechoslovakia's contacts with the Qadhafi regime have a rich tradition. Under the communist government, we exported sizable quantities of weapons to that country and a legendary quantity of the explosive

Semtex (700 kg) which Libya is providing to the most varied terrorist organizations throughout the world. Moreover, a number of Czechoslovak enterprises were engaged in building complete factories in Dzhamaïra, complete with technical equipment. One of these is even the project 80 km south of Tripoli, which bore the working designation of TAZ and the construction of which was organized by Omnipol. Part of the contract called for the erection of buildings and delivery of technologies, including spare parts.

The TAZ contract, signed at the beginning of the 1980's, evasively mentions only an "enterprise for the repair of heavy vehicles," which, translated into intelligible language, however, means a repair line for heavy military equipment. This is also confirmed by our workers who were employed at the project under the supervision of the Libyan Army. They consistently testify that the true purpose of the entire project was already then clear: a factory for the repair and finishing of tanks.

#### The Prague-Tripoli Airlift

Despite the fact that the Czechoslovak Government clearly stated that its policy toward the Qaddafi regime was changed (among others, also by the fact that the Federal Ministry of Foreign Affairs categorized Libya as being among those countries to which the export of our armaments was prohibited), Mr. Kaderabek from Omnipol signed another contract on 30 April 1991. Under its terms, 667 "tank assembly workers," whose task will be to finally start up operations in the completed TAZ plant, will leave for Libya. As confirmed by the director general of Omnipol, Stanislav Kozeny, his firm received the appropriate permit from the Federal Ministry of Foreign Trade without any problems. Obviously, the political consultations and the weighing of international risks, of which Vaclav Havel spoke at a press conference only a day before the contract was signed, clearly went by the wayside. Not even the government knows about the contract, let alone the president.

In addition to this contract for experts, deliveries of previously agreed-upon spare parts for machinery at the TAZ plant continue. The latest shipment left our territory last year. Because the war in Yugoslavia has disrupted the classic maritime route, the Libyans flew to Czechoslovakia in their own aircraft toward the end of last year to collect the remainder of the shipment. At the same time, the Martin firm of IDOP delivered spare components for tanks to Libya. Even this transaction occurred without any disruption, neither the government nor the Ministry of Foreign Affairs was notified. What is piquant regarding the entire affair is the fact that thus far, the Qaddafi regime has not paid for the goods delivered. The reason why, for the present, the above-mentioned 667 "fitters" have not yet departed is similar. Libya has not opened a letter of credit. On paper, however, the trip to be made by the tank specialists continues to be on and, immediately after submission of the necessary financial guarantees, they may depart and join our technicians who, for a number of years already

have been keeping the Czechoslovak pilot training simulators in Libya in good condition. In conjunction with these facts, it will not be surprising to find that the commercial counselor at our embassy in Tripoli is a Mr. Kurka, who—just like our present commercial counselor in Syria, Mr. Krizanovsky—was a long-term employee of Omnipol.

#### Commission

The untenable situation was to be solved last year by a decision of the Federal Government on establishing an interministerial commission, representing the ministries of defense, foreign affairs, and foreign trade, and whose members also include the secretary of the National Defense Council, General Cadek. Theoretically, the commission is to evaluate politically controversial contracts and to make decisions regarding them. In practice, however, it looks like the topics which it will discuss are determined by Mr. Glezo anyway. It is in his hands that the applications for licenses come together and it is only up to him whether he considers them to be "problematic" or not. The commission does not have any decision-making authority and may only recommend that a license not be issued.

While the Ministry of Foreign Affairs does have a listing of countries to which the export of weapons is politically unacceptable (for example, Cuba, Libya, North Korea, China, Ethiopia) or is not recommended (Pakistan), it lacks veto power in the commission. Moreover, the internal rules governing procedure stipulate that shipments to nonconflict regions are discussed by the commission only in the event the volume of these trades exceeds \$50 million.

One of the highly placed state officials who deals with the problem of arms exports told us the following on the subject: "The current status is unacceptable. Decisions regarding the export of special equipment, which is merchandise having a great international impact, cannot be made by the Federal Ministry of Foreign Trade because it regards weapons purely from a commercial standpoint. However, our foreign policy cannot take into account only the economic advantages of contracts which are under preparation. We must think through even the international political consequences which can, in the long run, do more damage to us than unrealized weapons deliveries."

#### Iran: A Pleading Bandaid

At the time the disarmament conference in Vienna was initiated, the Czechoslovak Army possessed 3,315 tanks. The result of the negotiations was an agreement to reduce the number of conventional armed forces. According to this agreement, we pledged to retire 1,880 tanks from service, of the total number of sidelined tanks, we are obligated to scrap 362 and the remainder, amounting to 1,518 vehicles, can be sold. Omnipol tried to do this with a contract dated October 1990. Iran

wanted to purchase 1,500 tanks plus a production line. However, for foreign policy reasons, this was unacceptable to our government and the shipment did not come about. Meanwhile, we were able to sell only something around 200 vehicles to Peru.

After abrogation of the agreement, Iran felt swindled and made all civilian trade transactions (we have allegedly been promised orders valued at an overall value of \$2 billion in Tehran) contingent upon the promised weapons. The crisis lasted several months until it was finally solved by the visit of Minister Baksay to Iran. The delegation offered other more interesting goods, the TAMARA system.

There is much interest in TAMARA throughout the world. Despite the fact that it is a defensive system, it has far greater value in a modern war, conducted by so-called smart weapons, than all of the obsolete 1,500 tanks put together. For Iran, therefore, this is a very good and consoling bandaid. The contract is in the preparatory stage, but responsible locations have not registered any major resistance against it. It will most likely pass through the interministerial commission without problems, because it is not a deadly weapon, but rather a defensive weapon. However, military specialists do have some doubts regarding the project under preparation. One of them made the following comment regarding the entire affair: "The government should be aware of what the sale of three TAMARA's to Iran means. The entire system will be copied and will later get into the hands of other countries. Moreover, the MCS-90 is a weapon which is the only one of our production items which is of interest to NATO. And to waste their interest by trading with Iran is highly risky."

#### Without a Law

Until this year, the above-described mechanism of permits and licenses was supported by law. As of 1 January 1992, however, the existing legal modification is a subject of unclarity and of varying explanations. This was caused by the adoption of the Commercial Code, which replaced a number of existing legal standards and completely freed foreign trade. The new law makes no mention of the concept of "permission," not even for the export of special items. The hitherto valid resolution of the Federal Government on the rules of trading arms continues to anchor the concept of licenses, but this is of little use because the resolution is a standard which is subordinate to the law and cannot, thus, augment the law.

Stefan Glezgo told us in this regard: "As of this year, the need to obtain permission for engaging in commercial activities is gone. However, in order to actually realize the sale of weapons, a license from the Federal Ministry of Foreign Trade is still required. The confusion will be resolved by the law, which is currently under preparation, regarding the export of special equipment (it has been ready for several months now, but keeps on encountering jurisdictional disputes), which should stipulate the

precise rules for issuing permits and should make prosecution of 'unpermitted' offers of weapons and conclusion of contracts possible." However, the attorney for the corporation which engages in weapons trading contends that a license from the Federal Ministry of Foreign Trade is not necessary because there is no law which would so require. Accordingly, "the people of this branch are thumbing their noses at any kind of government resolution in this regard."

#### Pakistan: Secret Battle for Orders

At the Turcianske Strojarné Heavy Machinery Plant in Martin, approximately 1,000 persons are employed currently on the weapons production line: they are completing 10 tanks per week (350 per year). Their latest order was to incorporate 256 T-72 tanks for Syria. However, it would seem that the end of "specialized production" will not be so simple. This is a highly profitable business and the weapons lobby is urgently seeking other markets. However, Czechoslovak tanks are so far obsolete that they can be exported only to highly inflammable and conflictual areas of the world—and this once more results in political complications. A certain official of the Czechoslovak Ministry of Foreign Affairs characterized the situation as follows: "If I have a tank today, I must consider how I shall be rid of it. To Libya, this is a problem, to Syria as well, not to mention Iran and Iraq. A few countries remain, including Pakistan, because the latter is the side on which the interest lies and its equipping only worries India." According to this diplomat, the Dienstbier ministry is "of course, opposed" to all such contracts, but regularly tends to lose its combat encounters with businessmen at the Federal Ministry of Foreign Trade. Incidentally, this was also confirmed during the recent visit by M. Caifa to Pakistan and to China.

Of 36 members of the "commercial and industrial team" that found room next to the prime minister aboard the aircraft, some 10 individuals were connected with the production or with the export of special equipment (A similar unbalanced ratio, even though from a somewhat different point of interest, also existed in the official entourage accompanying the delegation. Of 15 officials, 12 were from the Office of the Government of the CSFR and there was only one expert from the Ministry of Foreign Affairs, one from the Ministry of Economics, and one private individual—Fr. Janouch from the Charter '77 Foundation.) In addition to the director general of Omnipol, S. Kozeny, the following individuals are featured in the "entrepreneurial" listing: Julius Kostolny (commercial deputy for Martimes—he caught the flu at the last minute and remained home), Peter Konciar (deputy director of the heavy machinery plant at Dubnica), Michal Faust (commercial deputy of the heavy machinery plant at Martin), Stefan Glezgo (weapons exports), etc. Unexpectedly, the director general of the heavy machinery plant at Martin, Engineer Segla, also flew along. He allegedly joined the delegation at the



last minute and accompanied it only as far as Pakistan, where he had prearranged several meetings with official functionaries.

The three-page travel report which the Federal Government received from M. Caifa does not mention participation on the part of our key armaments specialists, even with a single word. Although the document informs the ministers on the "activation of relationships with the Islamic world," on the "expansion of bilateral relationships," on the precise output of the electric power plant which we will likely be building in Pakistan, it makes no mention of weapons contracts. This is very peculiar because, according to confidential information, weapons were discussed in at least one of the countries visited (Pakistan). What is at stake here is not, as contended by Stefan Glezgo, "purely engineering equipment," but also a minimum of 300 tanks. This is an order which has been in process since November 1991.

#### Your Tanks Are Ready

"In conjunction with the requirements expressed by Mr. Neil Evans and Mr. Gerhard Simon, our firm confirms, as the solely authorized export corporation for the Martin armaments complex, that it is capable of equipping the army of the Pakistani Islamic Republic with 300 new T-72 tanks through Evair Associates and Simon A.G. of Switzerland. We anticipate an appropriate order, accompanied by all essential documents from Pakistani authorities. With best wishes—Boris Drzko, commercial director, Unimpex, Ltd."

This fax was received last 12 November by Habib A. Khan, an employee of Sellers International Limited. Four days later, the Pakistani General Staff at Rawalpindi received the following offer:

"Evair Associates will deliver the following goods under the following conditions:

"300 T-72MI battle tanks. New, all systems functioning, including all weapons which have been fired only during test firing.

"Country of manufacture: Czechoslovakia. The vehicles will be obtained from the depots of the heavy machinery plant at Martin, state enterprise, and will be sold through Unimpex.

"All markings and designations to be removed prior to delivery.

"A separate contract will be negotiated for a period of five years (with a possibility of extension) regarding servicing, spare parts and components provided to the purchaser through Evair Associates.

"Payment to be made through an irrevocable and divisible letter of credit made out to the Schweiz Kreditanstalt Zug, Switzerland.

"All vehicles are currently available for inspection and should be inspected as soon as possible because of possible political repercussions of this sale.

"The price for each T-72MI tank delivered to the exporting port is \$665,840, for a total of \$199,752,000.

"This price includes the following:

"A—delivery of 200 T-55M tanks, used, in good condition.

"B—delivery of spare parts for T-72MI tanks, up to 5 percent of the overall price.

"C—delivery of munitions for T-72 tanks or for T-55 tanks, up to 5 percent of the overall price. The type of ammunition to be determined by the buyer.

"With best wishes, Richard Neil Evans, president, Evair Associates."

#### Omnipol Wants the Whole Package

Minister Baksay said on 2 December 1991 at Islamabad, speaking to journalists, that the CSFR has no intention of exporting military equipment or armaments to Pakistan. He must not have known of the Unimpex offer or must have (in view of the intermediary) considered it to be an export to Switzerland, with a certain amount of exaggeration. Nevertheless, doubts exist. According to our information, the Omnipol state enterprise is currently also striving to obtain the "Pakistani package." And this firm's proposals were allegedly also discussed on the occasion of the Caifa visit, even at the government level. Minister Baksay or S. Glezgo could only have avoided attending these meetings with great difficulty. The Czechoslovak side is not satisfied with the price at which the businessmen from Unimpex are selling off the production from Martin. According to an unidentified official, the asking price of \$665,000 per T-72 tank will not even cover production costs (after all necessary discounts). Of course, this is no obstacle to the interested businessmen, they will get theirs, but the workers at the heavy machinery plant at Martin are working for practically nothing on the armaments line, thanks to such contracts. The state will then cover this loss, using subsidies "for conversion," thus risking having to take the political blame. That is why the offer by Omnipol, which allegedly wants to realize the order at prices around \$960,000 per tank, appeared on the agenda. However, there is the question as to the extent to which these notions will succeed.

#### China: A Dispatch From the Embassy

The Chinese People's Republic is one of the last countries with a totalitarian communist regime. Two years ago, the Army here massacred the peaceful student demonstrations, thousands of political prisoners continue to languish in prisons to this day, and society is ruled by the omnipotent state police. None of this obviously bothered the Czechoslovak Government delegation which flew here from its visit to Pakistan. Deputy



Prime Minister Pavel Rychetsky did not even mention the fate of the incarcerated Chinese dissidents during the negotiations with Chinese authorities—allegedly, a suitable opportunity did not present itself (see *RESPEKT* No. 50, 1991).

Nothing much is known about this portion of the Calta trip. At the end of last year, however, the Federal Ministry of Foreign Affairs received a three-line dispatch from our embassy in Beijing, which was marked with the highest degree of secrecy. It states that the Chinese minister of commerce, on the occasion of some diplomatic reception, is alleged to have praised some negotiations regarding the delivery of weapons from Czechoslovakia, negotiations which were not further identified.

Stefan Glezgo resolutely denies that special equipment was the subject of discussion in China. However, at the same time, he admitted that he did not participate in any negotiations conducted by representatives of the armaments industry. "That does not matter," he said, "if some offers had been made, I would have had to know about it." S. Kozeny from Omnispol also claims that he did not discuss weapons: "I only had one contact with a civilian airline in China. Together with the director of the Aero factory, we discussed the possibility of importing or of jointly producing the 19-seat L-410 commercial aircraft." The deputy director of the heavy machinery plant at Dubnica, Peter Konciar, also speaks this way of his Beijing discussions. "We did not discuss weapons. Our enterprise primarily produces various types of construction machinery, in addition to components for tanks. And it was this machinery that we were offering the Chinese."

The nonspecific remark made by the Chinese minister is not confirmed even from other sources. According to officials of the Federal Ministry of Foreign Affairs, this is most likely a matter of "misunderstanding or an unsubstantiated rumor which is sensational in character." In the light of other armaments contracts, concluded by our armaments firms in the year which has just passed (Libya, Pakistan, Nigeria), however, it is not possible, even for the time being, to take an unsubstantiated report lightly. People dealing in arms trading consistently say that, in today's situation, Czechoslovak armaments organizations are capable of even taking such an intolerable step as might be represented by discussions with China.

#### **Area Has Been Occupied by Crooks**

Professionals claim that the arms market has been virtually hopelessly swallowed up by the clearance sale going on in the former USSR. If today, combat tanks are sold in an easterly direction from our border by weight

(one ton for \$10,000), then we are exposed to a kind of competition which, despite obvious efforts, we cannot overcome.

Logically, this fact should support efforts to achieve rapid conversion, but pressure brought to bear by armaments specialists is stronger than logic. Their threats of unemployment and social catastrophe have fulfilled their goal. At the government level, even the critics of military exports are hearing expanded argumentation which a certain official of the Federal Ministry of Foreign Affairs characterized best as follows: "This is not Texas, where we could afford to close down a factory from one day to the next and to say to people that they should look for work elsewhere." This view is opposed by his departmental colleague: "Today, we already clearly see that these tanks will not save our economy. Over two years, several billions have been invested in conversion, but it has now been sidetracked. This is the result of successful blackmail by cunning people who are continuing with their deals." According to Minister Langos, this is a highly dangerous development: "The state has given up a position which has been occupied by crooks. They are, naturally, concerned with money, but not only with money. In the background, there is a palpable effort to achieve power, to influence policy."

Thus, the Federal Government and the president have two possibilities. They will either begin to actually check on how their political declarations are implemented in practice and, in that case, they must immediately issue at least a government decree which has the weight of law, or, in the interest of "social peace" they will let things continue to run at their own pace. If they make a decision in favor of the second variation, they should speak of it just as openly as they have done hitherto with regard to the opposite ideals.

#### **[Box, p. 6]**

TAMARA, the precise designation is MCS-90, is a passive radar system identifying all types of aircraft including the "invisible bomber" known as the Stealth. At first glance, the device looks like a customary large barrel, but hides key equipment inside which monitors the electronic equipment on board aircraft. Even at great range, the system is virtually 100-percent effective and regularly recognizes the type and position of an aircraft. When hooked up with special equipment, it is allegedly also capable of guiding a launched rocket toward the aircraft. TAMARA exists in several versions, including a mobile one and, depending on configuration, costs between \$14 million and \$20 million. The entire device is a Czechoslovak patent and is produced by Tesla in Pardubice. For the present, only some of the countries of the former Warsaw Pact have TAMARA's; we sold Syria a less thorough predecessor, the RAMONA system, in past years.

[Box, p 6]

**Orientation Overview of the Decline in Czechoslovak Arms Production (Report by the CSFR Ministry of Economics, 1991; value of production in millions of Czechoslovak korunas)**

State of Arms	1989	1990
Domestic	6,802	7,200
Total exports	12,195	7,907
To former socialist countries	11,179	6,305
To other countries	1,016	1,602

[Box, p 7]

**Offering List of Bratislava Firm of E.M.I., Ltd., for November 1991**

Item	Price in U.S. dollars, approximate
RG4 grenades (assault type)	1
F1 grenades (defensive)	3
Light machineguns, 7.62 mm	430
BVP (combat infantry vehicle) with one 30-mm cannon and launch ramps for 4 missiles	440,000
T34, T35 tanks	17,000
T72 tanks with antinuclear equipment	700,000
MiG 29 aircraft	23,000,000
SU 27 aircraft	33,000,000
GP 5 protective masks (5,000,000 available)	25
TAMARA MCS 90 (passive radar)	17,000,000
Scorpion submachine gun, Model 61, caliber 7.63, maximum quantity for sale 40,000, were part of army equipment and were essentially unused	180
Scorpion submachine gun, latest model, caliber 5.45, equipped with grenade launcher with capability to penetrate walls—antiterrorist weapons	5,200
Kalashnikov S&P assault rifle, were part of army equipment, essentially unused	350
Kalashnikov AK74 assault rifle, antiterrorist weapons, 12,000 available	1,250

\* That is exactly what one kilo fruit costs in New York.

**Lower Czech Costs Lure German Manufacturers**92GE02292 Duesseldorf WIRTSCHAFTSWOCHEN  
in German 31 Jan 92 pp 18-20

[Article by Dietmar Student, Hans Jakob Ginsburg, and Hans-Peter Canibol: "The Big Wave: CSFR Becoming New Workbench for German Industry, Investments Trickle Into New Laender, Flood the CSFR"]

[Text] For Hartmut Happich, the selection of a location was primarily a question of costs. The fact that the co-owner of the Brothers Happich GmbH from Wuppertal will shortly be investing in Plzen in western Bohemia is "very decisively" attributable to low wages. Also, Dieter Hundt, manager of the Allgaier-Werke KG from Uhingen is enthusiastic about the low-wage country of Czechoslovakia and is "very interested" in new capacities in toolmaking which exist there. And Hans Steiner, chief executive officer of the Sedlbauer AG from Grafenau even contends that, in Lower Bavaria, there is "hardly an enterprise that is not compelled to engage in

production in Czechoslovakia, which is in close proximity to the border, because of excessive tariff considerations." Sedlbauer has been manufacturing electronic components in Brno for a few months now.

According to Joerg Berfuss, East Europe expert from the Institute of the German Economy (IW), such examples as Happich, Allgaier, Sedlbauer "are recently providing lessons." The industrial region, rich in tradition, between the Erzgebirge [mountain range] and the Carpathians has long since developed into a dreamland for industrialists who are unenthusiastic about their own homeland. In the first half of 1991, some 700 million German marks (DM) in direct investments flowed into Czechoslovakia—more than to France or to Italy. An increase from a zero base. In the first half of 1990, German enterprises had invested barely DM1 million. Now, approximately one-third of the 3,000 Western-Czechoslovak joint ventures involve capital investors from the Federal Republic.

After the coup in Prague, German auto manufacturers were the first to roll into the country. VW secured the exemplary Skoda firm for itself. Mercedes-Benz would like to begin cargo truck production in Czechoslovakia at the beginning of next year, together with its partners, Avia and Liaz.

In rapid succession, the subcontractor suppliers followed suit. Bosch and Continental agreed upon joint ventures, the Kloeckner Works swallowed up the largest Czech plastics processor. In February 1991, Linde purchased a majority share of the Technoplyn Industrial Gas Enterprise. In October, Babcock-Borag took over the CKD compressor manufacturer, and in recent weeks the Czechoslovak Government approved the acquisition of the Skoda Energy and Transport Equipment Enterprise by Siemens. The BHF Bank of Frankfurt wants to accompany its clients on their Czechoslovak commitments and is joining the oldest Czechoslovak banking institution.

The conservative German small and medium-sized firms have also long since left the starting blocks. Many previously skeptical enterprises, according to Ulrich Ackermann, head of the External Economics Department at the VDMA (Association of German Machinebuilding Establishments), have in the meantime, recognized the fact "that things are happening in a civilized manner in Czechoslovakia, and that operating in Czechoslovakia is, moreover, dirt cheap. West German textile manufacturers enthusiastically report that the Czechoslovak working minute costs only 21 pfennigs—4 pfennigs less than in Yugoslavia, 9 pfennigs less than in Portugal, and even only a third of the amount German textile enterprises pay.

But it is not only the wage advantage which speaks in favor of an investment in Karlovy Vary or Hradec Králové. Czechoslovak skilled workers are industrially experienced, well-educated, and industrious; the trade unions are tame. And the authorities in Prague are also not all that serious about protecting the environment as yet. VW specialist Herfus states: "They would first like to put on a little weight." Added to this according to Kloeckner Works manager Bernd Krueger, is a "psychological advantage to the location": "They lack a rich brother in the West and are compelled to do everything themselves."

The run into Czechoslovakia—and this is ever more clearly discernible—is occurring at the expense of the eastern portion of Germany. This part of Germany now plays only a subordinate role in the calculations of many enterprises, despite the continued availability of substantial promotional resources. Since the business cycle has deteriorated, one German industrial manager says that "there is little room for patriotism." In 1991, German industry did not even invest DM20 billion in the new laender; this year, a larger investment can hardly be expected. By comparison, just the investment plans of a handful of Germans interested in Czechoslovakia add up to more than DM10 billion.

Western managers already regret having tied up their capital in the German east by making hasty investment commitments. The automobile giant VW insiders

believe, would never have run its commitment in East Germany up to more than DM5 billion if it had suspected that it might acquire Skoda at auction (DM8 billion of investment volume). One VW manager complains that "in three years, our East German plant at Mosel will be at the western wage level."

There is also little joy in the new laender for Mercedes. The groundbreaking at the cargo truck factory at Ahrensdorf, which was to take place in March, had to be deferred. According to Mercedes spokesman Hans-Georg Kloos, "new real estate problems and water management questions have cropped up." It is now uncertain whether planned production can begin in mid-1993. By then, the first Mercedes trucks will long since have come off the assembly line in Czechoslovakia.

The German investment run on Czechoslovakia has not even properly begun. "The big wave," according to Gerten Meyer-Oldenburg, external economics specialist of the Central Association of the Electrotechnical and Electronics Industry, "is yet to come." Beginning in March, the Czechoslovak Government intends to privatize hundreds of large-scale state enterprises. Many German investors would like to participate. Thus far, Meyer-Oldenburg regrets, "there are only handwritten lists."

It is likely that only the Germans can stop this buildup. Many western companies are behaving so arrogantly that Czechoslovakia is witnessing an increasing amount of anti-German resentment. After VW pushed through juicy tax relief measures and special customs protection measures in Prague, Mercedes is pushing for the same for itself. "End-run measures are expected," according to Kloos.

The haggling over subsidies on the part of the rich automakers from the west has not only resulted in a reprimand for Mercedes by the Federation of German Industries. Other German investors in Czechoslovakia now fear being sucked into the maelstrom of anti-German sentiments. In Bohemia and Moravia, old wounds are opening up. There is talk of an "invasion" by German investors of "unteachableness" and "aggression"; there is fear of "Germanization."

But hardly anyone believes that Mercedes is already out of the race. Although (Czech) Prime Minister Petr Pithart did criticize the Mercedes demands as "extreme," he was, at the same time, sufficiently confident to do business with the Stuttgarters, nevertheless. According to what Pithart said at the beginning of the week at Duesseldorf, Czechoslovakia had "placed politics before economics for 40 years. We can see the desolate results today."

#### Production, Consumption Numbers for 1991

22 CH0108 Prague HOSPODARSKE NOVINY  
in Czech 21 Jan 92 pp. 1-2

[Article signed "vi" "Production and Consumption Reflected in Numbers: Economic Reforms, First Year"]

[Text] The total industrial production last year was 23.1 percent lower than in 1990 and consumer production 30.9 percent lower. The annual rate of inflation from December 1990 was 45.3 percent, yet price levels last month were 53.6 percent higher than during the same month in 1990.

These are merely some of the most important data from the provisional report published yesterday by the Federal Office of Statistics. Its character also demonstrates that many of the numbers will gradually be defined more precisely using more comprehensive annual statements.

According to the estimate, total industrial production was 16.3 percent lower last month than in December 1990. Of this, the December decrease amounted to a full 19 percent in enterprises with more than 100 employees. On average for the whole year, this means a 23.1-percent lower production (24.7 percent in enterprises with more than 100 employees).

The situation in the construction industry did not improve during the year. Following a seasonal revitalization during the first half of the year, there was a decrease that had already been indicated during the previous year. Total construction production in December last year was 34.2 percent lower than in the previous year and, on average for the whole year—according to the provisional estimate—it was 30.9 percent lower.

The drop in employment in industry and construction also continued in December. In enterprises with more than 100 employees, the number of employees in industry dropped by 12.3 percent and in construction by 18.9 percent last year.

The wholesale purchase of basic livestock products last year was smaller overall than in 1990: by 17.1 percent for fattened animals, by 15.1 percent for poultry, by 16.0 percent for milk, and by 6.0 percent for eggs. This, too, is an estimate because a considerable portion of the sales takes place outside the wholesale purchasing organizations.

The lower performance of the national economy was also reflected in freight transportation. 190.7 million tons of goods were transported by rail last year—one-fourth less than the year before and roughly 100 million tons less than the annual average in the mid-1980's. Similarly, river traffic recorded a loss in cargo of 22.6 percent in comparison to the previous year. The transportation of fewer construction materials (- 48.0 percent) as well as metallurgical and machine-industry products (- 27.8 percent) played a primary role in the lower performance.

In December the number of persons looking for jobs increased by 23,500 and the total number thus reached 523,700 persons by the end of the year. Of these, 411,700 persons were receiving unemployment benefits. At the end of the year, 56,600 jobs were vacant, but the type of job does not always correspond to specific interests.

In December last year, consumer prices continued to rise—by 1.2 percent compared to November—primarily in foodstuffs. Compared to December 1990, the overall consumer price level was 53.6 percent higher (52.0 percent in the CR [Czech Republic] and 58.3 percent in the SR [Slovak Republic]). The sharpest rise was in the prices of nonfood products (67.7 percent) while the price increase of foodstuffs was more moderate (36.1 percent).

On average for the whole of 1991 compared to 1990, consumer prices rose by 57.9 percent (56.6 percent in the CR and 61.2 percent in the SR) which also is characteristic of the annual rate of inflation. Calculated from December 1990, inflation caused by the liberalization of consumer prices was 45.3 percent (44.1 percent in the CR and 48.3 percent in the SR).

The cost of living during the year in regard to workers and employees' households rose by 49.5 percent, farmers' households by 50.4 percent, and pensioners' households by 52.2 percent.

According to the estimate, the overall retail trade sales (in current prices) reached a total of 368.6 billion Czech korunas in 1991, which is 3.3 percent lower than the previous year. After subtracting price effects, this would be a decrease of almost 40 percent of the actual volume of overall sales.

However, from the economic aspect, a number of additional important data, such as foreign trade, investments, sales, etc., are needed to evaluate last year. These will be available later, after definitive data have been processed.

### Prescriptions for Economic Reform Faulted

92CH0322A Bratislava NOVE SLOVO in Slovak  
27 Jan 92 p 9

[Article by Anton Fazky "We Are at Cross Purposes"]

[Text] Recently I have stated on more than one occasion that I am incorrigible on the question of our constitutional organization. My religion is a unified country of Czechs and Slovaks, along with the citizens of different nationalities who live among us, based on the principles of political and economic equality and equal rights, built up from below. But what kind of Slovak would I be if I did not defend the interests of my people, protect them against anyone who would ignore them.

More than one of our citizens has vowed not to waste time looking at the televised debates "Another Week."

I, to be sure, have a different opinion. While many of them are a waste of time, occasionally one of the debate participants says something important and makes a suggestion that forces one to think.

This was the case a few weeks ago, in November 1991, sometime, when the prime ministers of both the Czech and the Slovak Republics took part in the debate. When the talk turned to constitutional organization, Mr. Petr Pithart tried to justify the lack of success in the marathon that had been run to that point, from the Vikarka through Budmerice, Kromeriz, Castu-Papiernicku, to the private cottage of the president in Hradecek, this way: "We (the Czech delegates) are talking about a cart, and they (the Slovaks) are talking about a goat." A nice comparison, wouldn't you say? But has anyone added up



the cost of this whole affair yet, to find out how much has been spent on these outings and more than one fruitless discussion?

Why have we not yet been able to find a solution to the question of constitutional organization that would be acceptable to both peoples? But especially for us, citizens who live in the Slovak Republic?

Whatever the cause, it seems to me that one of the reasons, and the most fundamental reason, is that so far it has been only Minister of Finance of the Federal Government Klaus who has harnessed that poor old Slovak goat to the federal and Czech cart. He has loaded up this "bag of bones," with the help of the "Klaus Group" of economic reformers in Slovakia, with an immense pile of packages which contain completely logical recipes for putting the Slovak economy in an unbelievable, almost catastrophic situation.

The first of these packages was opened in the presence of Mr. Pithart, the chairman of the Czech government, by the former chairman of the Slovak government, Mr. Meciar, at Trenčianske Teplice. It all started from there. Meciar is very courageous, they said to themselves in Prague, we will never get what we want with him. So he will have to leave his post in the government.

But let us get back to the unwrapped package. It is a shame that this process began at a time when there were at least 100,000 unemployed in Slovakia. Their ranks were filled mainly by the precipitous stoppage of armaments production (which would be the right thing to do, but over, I would guess, five-seven years), and from construction, as well as the branches of the consumer goods and electronics industry. All this because Mr. Klaus keeps repeating, ad nauseam, that everyone must look after themselves. The Slovak delegates, on the contrary, realized that as the "servants" of its people they would have to fight for its jurisdiction over these matters. On this issue even goat cheese noodles did not sway many delegates to the Federal Assembly. The fight to acquire 50 percent jurisdiction continued and still continues. And the result? Today there are almost 300,000 unemployed in Slovakia alone, and 1992 promises to double this figure. And I am beginning to think that the figure might be higher still.

The most important package, the one containing the foundation and objective of economic reform, remained in Prague and since that time it has been used to work "miracles" throughout the republic. The fundamental objective of economic reform is not to achieve efficient factory production, but to change the form of ownership relations. This is why political problems have come before economic problems when passing laws in the Federal Assembly.

I don't know where the economic reform scenario was developed, in Prague or in the International Monetary Fund (IMF) headquarters. But since coupon privatization comes so highly recommended and endorsed by

various economic experts, at least its basic framework had to have been developed at IMF headquarters.

I think that we should first of all use our own capital to heal our sick economy, capital represented by the savings of our citizens. They should help themselves, and in the process become joint owners of different basic production assets. This would put an end to the often repeated, and justified criticism that "under the previous social system everything belonged to everyone and to no one."

The development of economic reform confirms that we are entering a period when everything will belong to no one.

It bothers me personally when our generation, which inherited cities, farms, factories, roads, bridges and railroads destroyed by war, is criticized for devastating Prague by building the metro, the Czech-Moravian highlands and Trnava Table by building the freeway, and the Moldavian lowlands by building the East Slovak Iron Works.

An intelligent farmer would never hand over a cow that was a good milker. He would give up the one that gave substantially less milk for the same fodder ration. If he was honest, he would not sell such a cow to someone for milk. He would sell it to a meat processing plant and keep his conscience clean. This is the way it should have been with the privatizing of our factories. The government should take factories on their way to bankruptcy and make them efficient producers and only then privatize them. So far small privatization and the large privatization that has just started are proceeding incomprehensibly. Breweries are being privatized along with functioning commercial establishments, taverns, some "razvy" is trying to privatize the world renowned Becherovka. Tatras Koprivnice and prosperous operations such as Pízen Skoda, government enterprise, all of which are known throughout the world and have assured markets for their products not only for years, but decades ahead.

Of interest is the tangled answer about the use of the loans granted by the IMF given Minister Dlouhy to a specific question asked by Dusan Slobodnik in the televised debate of 22 December 1991. Mr. Dlouhy first mixed apples with oranges: loans with grants. The ratio that gets to Slovakia was not a figure that he could provide. Interesting, and outrageous.

The bee finally showed its stinger, however. The Minister stated quite openly that things in Slovakia are "not moving" because the impact of the economic reform there is more negative than in the Czech economy. Well, I ask, who gives the directives for the use of the IMF loans and who amongst us respects those directives to the letter?

I ask whether this does not amount to the demolishing of our unified country, Czechoslovakia, through the economy.

Two years have passed since the demise of the former totalitarian system.

Unfortunately the fact that our economic potential is declining, sometimes through ill considered decisions and sometimes at a rapid pace complicates the political situation.

In my opinion (an opinion with which many citizens disagree) it is damaging to the society to waste too much time and intellectual potential on the politicizing of (and even political gameplaying with) national sovereignties.

### Investment Banking Activities Increasing

92CH0310C Prague HOSPODARSKE NOVINY  
in Czech 16 Jan 92 p 9

[Article by "rb" "Investment Banking"]

[Text] A new subsidiary of the Viennese bank Creditanstalt, called Creditanstalt-SP Securities, Inc., commenced its activities in the sphere of investment banking in the CSFR by issuing commercial papers. This issue of discount securities in Czech korunas (Kcs) was issued by Skoda, Automobile Inc., in the amount of Kcs320 million, with a six-month maturity date and revenues for the investor expressed in annual terms at 14.3 percent.

The initial capitalization of Creditanstalt-SP Securities amounts to Kcs64 million: 60 percent of the shares will be held by Creditanstalt Investment Bank AG, Vienna, which is a subsidiary that is owned 100 percent by Creditanstalt Bankverein. Slovenska Pojistovna will own 15 percent of the company and management will own 25 percent of the shares. Creditanstalt-SP Securities will concentrate on the capital markets (it will issue securities in Czech korunas) and on services connected with corporate financing. This is a significant step in the development of the securities market in concordance with the criteria used by developed economies. The company will also participate on the stock exchanges in Prague and Bratislava and will offer to broker business transactions for Czechoslovak and foreign investors. In the area of corporate financing, services will be offered connected with the privatization of Czechoslovak enterprises and with financial consulting provided to international companies investing in the CSFR.

Furthermore, the Creditanstalt-SP Fund Management will be founded with an initial capitalization of Kcs36

million, and it will administer two investment privatization funds set up in the two republics. The two companies will be managed by Nigel Williams and Michal Vetrovsky who have extensive experience of international financial markets.

The creation of the two companies is in accord with the policy of Creditanstalt to create financially independent companies for the sphere of commercial and investment banking in the newly reformed countries of Central Europe. The activities of Creditanstalt in the sphere of commercial banking in the CSFR will be executed by the recently founded bank, Creditanstalt Inc., Prague.

### Fund Shortages Threatening Private Sector

92CH0310D Prague HOSPODARSKE NOVINY  
in Czech 16 Jan 92 p 9

[Article by Miroslav Hlinovsky. "Services Provided by Financial Institutes and the Insolvency of Enterprises: Entrepreneurs vs. Banks"]

[Text] Enough has already been written about the causes of the existing, considerable insolvency. The Commerce Bank quickly stated that because of the lump-sum credit, it is "successfully" fighting this sickness attacking our economy.

The insolvency of state enterprises and cooperatives is caused by the fact that they are refused credit for periodic order inventories, which increased by as much as threefold due to price liberalization, and the enterprises are unable to cover this price increase by their profits, which have been drained through taxes. However, a serious phenomenon is the fact that insolvency is engulfing the private sector like an avalanche, and this sector is being financially suffocated by the insufficiency of cash resources. The collapse that is prevalent in noncash monetary circulation is assuming considerable proportions.

Noncash transactions are no longer a service. On average it takes five days for a specific sum to get from the payer's account to the recipient's account, and it can take even longer in newly founded banks! But this situation causes problems, the most serious is the freezing of sums of money. If for example, we take a daily billing of 200,000 Czech korunas (Kcs), it will come to Kcs1,000,000 in five days. This amount is missing from the account and can be dealt with in two ways. First, by obtaining credit for Kcs1,000,000 at an interest rate of 16 percent and an annual cost of Kcs160,000. (A cost that can be deducted from taxes.) Or, by late payments to "one's own" creditors, which will cause an avalanche-like increase in penalties and an administrative encumbrance creating unproductive costs without the option of deducting them from taxes.

At this time, I do not even want to think about what the total of such a freeze on capital for the total daily billing would come to in our country.

There is no uniform interpretation as to which date should determine timeliness and thus penalization, whether it should be the date of the payer's statement or the date of the payee's statement. The enterprise sphere is resolving this in its own way. It is dropping noncash transactions and going over to cash payments! There are two dangers in this: the creation of modern carpetbaggers, who will exploit the collapse, and insufficient means of payment for transacting business—just as in the times of Charles IV.

The financial services have not achieved the precision and timeliness of the conditions in the First Republic, and economic recourse should be available for such services in a market economy.

- The provision of noninterest-bearing credit for outstanding debts equivalent to the amount of the late transfer of payment.
- The transfer of penalties for the period from the date of payment to the date of receipt.

The entire banking sector should focus on this problem.

### **Labor Ministry Explanations of Wage Fund Decision**

92BA0512A Bucharest AZI in Romanian 4 Feb 92 p 4

["Text" of explanations concerning the system for establishing the wage funds of economic enterprises with majority state capital, approved under Government Decision No. 21/18 January 1992]

[Text] On the basis of Article 17 of Government Decision No. 21/1992, the following details are provided for the purpose of implementing its provisions:

#### **I. General Provisions**

1. The system for establishing the wage fund for 1992 in compliance with the provisions of Government Decision No. 21/1992 will be implemented at all the economic enterprises with majority state capital and at the autonomous managements whose wage policy is the same as that of economic enterprises.

The provisions of the decision are also applicable to the units that are in the process of being organized as economic enterprises with majority state capital or as autonomous managements.

2. In keeping with Article 14 of the decision, autonomous managements of a special nature will not use the wage fund system envisaged in the decision. Similarly, the provisions of the decision will not be implemented by economic enterprises with foreign capital or by foreign representations operating in Romania, by businesses with private capital, and by companies with mixed capital in which the foreign or private capital is more than 50 percent.

3. In keeping with the provisions of Articles 1 and 2 of the decision, the wages and their indexation will be established under collective labor contracts or individual labor contracts, within the limits of the financial resources of each business, so that the company can pay all the benefits established out of its revenues.

#### **II. Regarding the Establishment of the Wage Fund of Reference**

4. The wage fund of reference will be determined in accordance with the provisions of Article 6 and Annex No. 1 of the decision, on the basis of the following elements:

a) The base wage fund, determined by adding up the base monthly salaries negotiated under individual labor contracts for the personnel existing on the enterprise payroll on the last day of October.

The base pay is that established for a normal work schedule and includes the price increase compensations and indexations actually paid out by the end of October 1991. The base pay also includes the increments and allowances that were a part of the base pay in accordance with Annex No. 3 to Government Decision No. 127/1991.

The night allowance for October 1991 will be calculated in keeping with the average monthly number of hours spent in the air by each person in the August-October 1991 period.

The base pay for part-time (one-half, one-quarter, etc. of a schedule) personnel employed under an unlimited labor contract will be prorated according to the respective fraction.

In the case of businesses which did not index salaries at the maximum 13.43 percent level specified in Government Decision No. 579/1991 because of insufficient financial resources, the wage fund calculated in accordance with the above will be corrected so as to ensure the entire indexation coefficient. For example, one business is awarded an average 10-percent indexation. Consequently, the base wage fund will be increased by the difference between the indexation index specified in the respective decision (1.1343) and the index actually used (1.10), i.e., by 1.031 (1.1343 - 1.10 = 1.031).

b) The number of personnel on the enterprise payroll includes the personnel employed under an unlimited labor contract, including the managerial personnel, the personnel temporarily incapacitated or on paid leave for caring for a child under one year of age, and other categories of personnel temporarily absent from the enterprise and for whom the enterprises are legally obligated to preserve their job, the personnel on reserve duty, those at various professional classes in the country or abroad, and those on technical unemployment.

It does not include personnel away on compulsory military duty and those on temporary assignment who are featured on the payroll of the units to which they were assigned.

In the case of part-time personnel, the respective fraction of a schedule is taken into calculation.

The inclusion on the payroll of employees hired on a limited labor contract, other than those hired to replace employees on an unlimited labor contract who are absent for various reasons, will be done in accordance with the provisions of Article 11 of the decision.

c) The absolute value of increments is the amount established for each person shown on the payroll on the last day of October.

The increments established in percentage points will be calculated as an absolute value to the base pay taken into calculation in keeping with subparagraph a).

The increment for night duty will be calculated on the base pay established for the average monthly number of hours worked at night in the period August-October 1991.

In cases in which, in accordance with the system used in the course of 1991, some increments were selected and actually included in the base pay rather than being



awarded separately, these increments will be further viewed as a part of the base pay and included in the fund as per subparagraph a).

d) The average supplements and bonuses achieved in the period August-October 1991 will be determined as a monthly percentage average of the base salaries corresponding to the time actually worked during those months, and they include:

- the plus or minus difference between the amount awarded in accordance with the employment form utilized and the sum of the base pays corresponding to the time actually worked;
- the bonuses established in keeping with the provisions of Government Decision 127/1991, formed and based on costs in the period August-October 1991;
- the amounts paid to employees for overtime, including the amounts paid for regular work in excess of the normal schedule; other variable supplements not included under subparagraph c)

The amounts paid in August-October 1991 for previous periods will not be included into the calculation of the fund of reference.

The average percentage will be calculated by dividing the sum of the above listed supplements and bonuses by the base salaries corresponding to the time actually worked in the period August-October 1991.

The sum representing the supplements and bonuses will be calculated by applying the average percentage to the wage fund established in keeping with subparagraph a) above.

e) To the amount of the base salaries above (subparagraph d), increments (subparagraph c), and supplements and bonuses (subparagraph d), will be added the allowances awarded to the members of the council of state representatives, the administration council, the auditors, and the management board during October 1991.

f) The wage fund established in keeping with subparagraph a) will be reduced by the fund resulting from the sum of the plus differences between the base pays established under individual labor contracts, and the limits of the base pays specified in Annex No. 1 to the Government Decision 127/1991 as they were modified under Government Decisions 219/1991 and 579/1991, for which additional tax was owed in accordance with Annex No. 2 to Government Decision 127/1991, and by the average monthly value of the wage fund in the months of August, September, and October 1991, for which additional tax was owed in keeping with Annex No. 4 to Government Decision 127/1991.

The fund thus obtained is the fund of reference.

### III. On Calculating the Overall Wage Fund That May Be Used by Economic Enterprises With Majority State Capital and Autonomous Managements Without Paying the Additional Tax Envisaged in Annex No. 2 to Government Decision No. 21/1992

5. The overall wage fund that may be used without the economic enterprises and autonomous managements having to pay additional tax will be established monthly, cumulated from the beginning of 1992, on the basis of the wage fund of reference, corrected by a percentage of the consumer price increase compared to October 1991, which will be established periodically in keeping with Article 7 of the decision.

6. For the months of January-April 1992 the fund of reference will be increased by a coefficient of 1.25, the result being the monthly wage fund and the fund cumulated since 1 January 1992 for which additional tax is not paid.

7. The monthly fund resulting from increasing the reference fund by a 1.24 coefficient may be increased, in compliance with the decision, in the following situations:

- a) If the units are expanding their operation and require a larger number of personnel than envisaged when the wage fund of reference was calculated;
- b) If the enterprises increased their efficiency by enhancing the labor productivity.

The situations in which such increases will be made will be determined by the methodological norms established for the purpose by the Ministry of Labor and Social Protection in conjunction with the Ministry of Economy and Finance:

- c) If the nationwide minimum gross salary is increased by more than the coefficient by which the fund of reference was increased.

The wage fund will be increased by the difference fund that the employer is obligated to pay additionally in order to meet the nationwide minimum base salary, or by the fund required to raise the base salaries indexed by the reference fund increase coefficient to the level of the nationwide gross minimum salary.

In view of the fact that as of 1 January 1992 the nationwide minimum gross salary increased by 25 percent compared to October 1991, i.e., by the same coefficient by which the fund of reference was increased, during that period the provisions of paragraph 6 of Annex No. 1 to the decision will not be implemented.

### IV. On the Wage Fund That May Be Actually Earmarked for Wage Payment in 1992

8. As of 1 January 1992, each economic enterprise with majority state capital may negotiate the benefits of the salary system without any restriction.

The salaries negotiated must be based on the revenues expected to be obtained from the respective operation.

and must fall within the wage fund that can be actually earmarked for salary payments in 1992 so as to ensure profitable activities.

9. The wage fund that may be actually earmarked for salary payment in 1992 will be smaller than the additional nontaxable wage fund calculated as per Chapter III if financial resources do not allow the payment of salaries up to the limit of the respective fund without making the operation unprofitable.

The economic enterprises whose financial resources allow the use of a wage fund larger than the additional nontaxable fund calculated in accordance with Chapter III, will, in determining the fund actually earmarked for salary payment, also take into account the additional tax that will also be paid out of the revenues achieved, while permitting further profitable activities.

#### V. On the Additional Tax Due When the Wage Fund Calculated as per Chapter III Is Exceeded

10. The additional tax will be calculated on a monthly basis in relation to the amount by which the wage fund calculated in keeping with Chapter III, cumulated since 1 January 1992, was exceeded.

The additional tax owed for each month will be calculated as the difference between the additional tax calculated in relation to the exceeding of the wage fund cumulated since the beginning of the year to the end of the month, and that actually paid by the respective date. For example: If by the end of a month during the period between 1 January-30 April 1992 it will become apparent, according to the cumulated figures, that the enterprise is within the wage fund established in accordance with Chapter III, the additional tax previously paid will be compensated or paid back to the enterprise.

11. The overall wage fund established in keeping with the provisions of Chapter III will be recalculated in the course of 1992 each time a new correction coefficient is established for the fund of reference, i.e., at the end of April 1992 for the first period. If necessary, the additional tax will be settled accordingly.

12. Economic enterprises where the daily work schedule is longer because of specific seasonal activities, in keeping with Article 9, paragraph 3 of the decision, and the calculation of a normal daily work schedule is done on the basis of a quarterly, half yearly, or yearly average, the additional tax will be calculated and entered monthly and will be paid at the end of each semester, after the due alignments.

13. Annex No. 1 features a model of calculation and alignment of the additional tax.

14. The additional tax paid by the economic enterprises will be remitted to the state budget in compliance with the provisions of Law No. 32/1991.

#### VI. On Employee Incentives Paid Out of Net Profits, i.e., Out of the Profit Left After Payment of the Legal Profit Tax

15. In accordance with Article 13 of the decision, the economic enterprises may form an employee incentive fund of up to 10 percent of the profit left after the legally owed profit tax has been paid (net profit), 50 percent of which may be awarded to the employees during the year.

The incentives paid out during the year from the net profit will be added to the wage fund paid in the respective month for the purpose of establishing the additional tax owed in relation to the sum by which the wage fund calculated as per Chapter III was exceeded.

At the end of the year, the incentive fund calculated by applying a figure of up to 10 percent of the net profit achieved, will be added to the overall wage fund established in keeping with the provisions of Chapter III, cumulated from the beginning of the year; the result will represent the maximum fund on which no additional tax needs to be paid for the entire year. If the fund thus calculated is larger than the wage fund used up throughout the year (including the incentives paid out of the net profits achieved), the tax withheld during the year will be returned. If this fund is smaller than the wage fund used up, the tax will be recalculated and brought in line with the tax paid in the course of the year.

Annex No. 2 features a model of taxation of the overall wage fund when incentives are paid out of the net profit.

16. The autonomous managements where salaries are negotiated, will form and pay out the profit sharing fund in accordance with the provisions of Law No. 15/1991, and will duly implement the provisions of paragraph 15 above.

#### VII. Additional Specifications

17. The wage fund of reference, the number of personnel existing on the payroll on the last day of October, and the other elements required to verify the respective data, will be registered with the county and Bucharest labor and social protection directorates by each economic enterprise with state majority capital and each autonomous management where salaries are negotiated, by 31 January 1992, in keeping with the model form given in Annex No. 3.

The labor and social protection directorates will convey one copy to the county and the Bucharest municipal general public finance directorates.

The data cited above will be registered at the same county or Bucharest labor and social protection directorate where the collective labor contract was registered in compliance with the law.

18. In accordance with the provisions of Article 16 (2) of the decision, the county and Bucharest municipal labor and social protection directorates, jointly with the

county and Bucharest general public finance directorates, will check the data presented according to paragraph 17 by the end of the first quarter of 1992.

In order to implement these provisions, the economic enterprises with majority state capital and the autonomous managements will organize the necessary records to ensure an efficient verification of the data presented.

19. For the purpose of establishing the annual leave allowance, the revenues achieved by 1 January 1992, established in keeping with the Specifications of the Ministry of Labor and Social Protection No. 1399/25 Nov. 1992 and of the Ministry of Economy and Finance No. 6436/27 Nov. 1991, issued for the implementation of the provisions of Government Decision No. 780/1991, will be increased by the percentage point by which the base salaries were increased as of the same date, but not by more than 11.1 percent, which was the fraction of the forecast consumer price increase in the period January-April 1992.

20. The cost of the hot meal and the food allowance awarded in keeping with the regulations in force to the employees of certain autonomous managements and

economic enterprises with majority state capital, which is borne out of the production outlays established by negotiations upon the signing of the collective labor contracts, will be increased by up to 20 percent, which is the forecast foodstuffs price increase for the period January-April 1992, compared to the November-December 1991 period.

21. The ceilings settled under Government Decision 360/1991, in relation to which is calculated the parents' contribution to the upkeep of children in nurseries and kindergartens, are given in Annex No. 3 to Government Decision 20/1992.

22. In accordance with Article 18 of Government Decision No. 21/1992, failure to observe its provisions will incur disciplinary, material, or penal punishment, according to case, in keeping with the legal provisions.

Minister of Labor and Social Protection  
Dan Mircea Popescu

Minister for the Budgeting of State Revenues  
and Fiscal Control  
Florian Bercea

**Gligorov on Macedonian Independence, Minorities**

92B405284 SpH SLOBODNA DALMACIJA  
in Serbo-Croatian 15 Feb 92 p 8

[Interview with Macedonian President Kiro Gligorov by Srecko Lorgor; place and date not given: "Our Only Claim: An Independent Macedonia"]

[Text] By coincidence, the authorization of this conversation with Macedonian President Kiro Gligorov "was being conducted" at the moment when the news appeared on the TV screen, in the middle of some hockey game, that the Croatian government had recognized Macedonia as an independent republic. We started the conversation with President Gligorov with the problem of "implementing" sovereignty, and with untangling the "Balkan knot."

[Lorgor] Recognition by Bulgaria, and a few days ago by Turkey as well, has shuffled the "Balkan cards." Some analysts discern the creation of new alliances in this region. Mr. President, you have often used the expression "Balkans without borders."

[Gligorov] Macedonia's becoming independent does not mean the creation of any new alliance. Above all, it means a more stable situation in the Balkans. The recognition of Macedonia's independence will undoubtedly be an element of stability in the Balkans, since, as you are aware, the Balkan wars that have been fought, and thus both the First and Second World Wars, naturally also contained within themselves an element of the partition of Macedonia, aspirations directed against Macedonia. Thus, once Macedonia becomes an independent state, with internationally recognized borders, that is a new situation in which those aspirations—we know, historically, when they were formed—must cease. This alone is a contribution to the stability of the Balkans. On the other hand, Macedonia's position is such that it does not have any interest and does not have any intention of being in any sort of alliance with anyone; it wants to confirm the place that belongs to it in the Balkans on the basis of conducting an open policy, a policy of open borders, good-neighborliness, and friendship.... I said once that it would be a policy of equidistance with respect to all our neighbors. The speculations regarding the recognitions to date do not have any basis, because our policy in this respect is very definite and clear. We have a European option. We think that it is high time for the pages well-known from Balkan history to be closed. It is time for the Balkans to begin to "live" according to European standards, to realize that the peoples in this region are European as well, and that their future cannot be any other future but inclusion in European integration trends, in the so-called European home.... In that regard Macedonia will advocate those positions and will have that orientation.

[Lorgor] You were recently in the United States and Canada. Did you encounter sympathy there among official American political circles regarding Greece's harsher position in EC forums in connection with the recognition of Macedonia?

**Closeness to the Greek People**

[Gligorov] I must say that I am very satisfied with the visit to the United States. The results can best be seen from the communique that the State Department published after the visit, which says that the United States is opposed to any sort of coercion to make Macedonia enter some sort of quadripartite or mini-federation under Serbia's domination. Furthermore, it is evident that there is strong opposition to any intention of calling into question the territorial integrity of Macedonia and its borders, and that there is support for the peaceful policy that Macedonia is conducting, because it has remained outside the military operations and utilized a democratic means of becoming independent. I consequently think that this sort of attitude on the part of the United States is actually a de facto recognition of Macedonia. We understood that in the event that it decided to recognize any republic at all in Yugoslavia, it would do the same with respect to Macedonia as well.

[Lorgor] Can you reveal any "secret" from your meeting with the leadership of the U.S. administration—perhaps some financial arrangement?

[Gligorov] Our talks primarily concerned our achieving the goal that is now of crucial importance to us, namely securing recognition of Macedonia's independence. This was also the subject of our talks with the Senate commissions, especially the Helsinki commission, followed by the commission on international relations. We convinced all our interlocutors that we had adopted everything necessary, including political guarantees, that we did not have any sort of territorial claims against our neighbors, and that we did not want to interfere in their affairs. One can hardly conceive of more than that! In any case, it is not usual to insert such provisions in a constitution. This is an expression of our good will and long-term commitment, which should not arouse any sort of suspicion on anyone's part. And as far as changing the name of our state is concerned, there is the Badinter commission's report regarding this, which, as you know, gives a positive opinion on how Macedonia deserves to be recognized as an independent state.

We have adopted all the necessary decisions since the referendum, the constitution, and the parliament's decisions that interethnic relations would be "regulated" at the level of European standards. In this regard, I really can say that we encountered sympathy. Actually, I must say that in all of our international contacts, no one has understood how a people can be asked to change the name that it has borne for centuries, and under which it is known both as a part of the European area and as part of the cultural area with its own history, literature, art, etc. Well, all right, that issue exists, in view of the



criticisms from our southern neighbor and its presence and membership in the EC. That is a reality that we are facing, but we will continue to take all necessary steps to convince all of them that it is not any obstacle, and that absolutely no one is threatened by any danger from Macedonia. It is simply that our people has adopted the name of the area in which it lives, and it undoubtedly lives in a considerable part of the area that is called Macedonia.

[Lorger] Nevertheless, Greece is "opening" that issue. Are any sort of territorial claims concealed in it?

[Gligorov] Well, they are constantly claiming that they do not have any territorial claims against Macedonia whatsoever.

[Lorger] That should be "proven" more clearly.

[Gligorov] Yes, I even believe it. I believe that Greece does not have any territorial claims. Admittedly, it does have certain extreme aspirations and demands. These Balkans have been afflicted by various historical traumas. On that basis, I think that this has been used very carelessly in propaganda in rivalry among parties in Greece, and so a highly charged emotional atmosphere has been created, which now has a feedback effect upon those who initiated it, who perhaps wanted to use it to score some political points and gain some sort of national aura. Now it is necessary to approach this rationally, calm those emotions, sit down at the table, and talk about those issues realistically—especially since it is obvious that absolutely nothing divides us and Greece. We have so many direct, common interests, especially economic ones, and then there are many other things that link us. We are close peoples with many common cultural and other customs, and we even have a common religion. Consequently, there are cultural foundations for being good neighbors. Economic ties are especially important. They need to pass through us to reach Europe, and we have to go through them with our goods—not to mention tourism. There is not a single rational reason for conflict. There are historical disagreements and irrational elements. Interests link states, and not emotions, some sort of inherited burdens.

[Lorger] Is the maritime opening of Macedonia through Albania (Durrës-Koper) associated only with the far north of the former Yugoslavia?

[Gligorov] To tell you the truth, I think that very soon it will be necessary to talk realistically about these matters. For a long time we were oriented toward Rijeka and toward other ports in Croatia. Why would we break those ties? We need to expand those ties both with those ports, and with Thessaloniki and Durrës. Probably these Balkans, free of boundaries and partitions, will develop more quickly, which implies inclusion in Europe! The worst thing that can be done is to break those former ties and establish new ones in which a great deal needs to be invested. Naturally, it is also necessary to establish alternate routes. In any case, I am against saying, "Until today we did things this way, starting tomorrow we will

do something completely opposite." That has been done in the past, but it costs a great deal. In addition to costing a great deal, it is not moving forward, but rather backward.

#### Serbs Without a "Critical Mass"

[Lorger] Mr. President, let us turn to this current war situation. Macedonia, at least until now, has been an "oasis of peace." You have not applied the "Croatian prescription" of blockading JNA [Yugoslav People's Army] installations. Are you closer to Mr. Izetbegovic's positions?

[Gligorov] As a consequence of our basic position, namely peaceful settlement of the crisis, there are also three "problems." We do not want to engage in a conflict with the army, but we are determined not to feed the army with new "cannon fodder." Very early, sometime around June, we arrived at the position that we would send neither recruits nor reservists to the JNA. Perhaps that was the critical moment, and we persisted in this to the end, in spite of all the pressures that we had to expect in connection with this. In the second place, there were attempts to bring about a conflict with Serbia on the basis of various ideas about how many Serbs there are in Macedonia, how they are in a subordinate position here, how they are not mentioned in the constitution, and so forth. In this case as well, however, we followed a policy of dialogue whenever possible. We showed statistical data, from 1952 until today. Consequently, in contrast to Croatia, there is not the kind of "critical mass" here, if I may use the expression, that could cause something similar to what was done in Croatia. There are 43,000 Serbs living in Macedonia, and it is not a compactly settled population. They are spread out in the capital and in other places in Macedonia. Some of them are also military personnel, who are leaving now.

One cannot do anything on that basis without engaging in direct aggression, or use that prescription of sending paramilitary formations, because there is simply no one to accept them.

The third thing was the attitude toward minorities. From the beginning, we chose the opposite path from what was the prescription for Kosovo—consequently, political organization of everyone living in Macedonia, even if on an ethnic basis. We made it possible for such parties to be formed, to join in elections, to join the parliament, to join the government, and thus, through legal institutions, to open a permanent dialogue on all problems that are unresolved. Through tolerance and mutual concessions, conditions are being created for life together, for everyone to view Macedonia as their own state and to seek their own rights to be treated equally both as citizens and as a nationality in it. These, I would say, are the three foundations for us to follow a path of peace and peaceful settlement of the problems that arose in Macedonia through its becoming independent.

This has made it possible for us to remain outside the direct conflict for now. This, of course, does not mean

that we do not bear any responsibility for many consequences of what has happened in Yugoslavia. We have also had casualties, who ended up in the JNA. We were not able to pull them back by force, in spite of all our appeals. There have been 42 casualties, but we do not have any destroyed cities. Our people sympathize with your tragedy in Croatia. More than 2,000, and now, I hear, around 3,000 refugees from Croatia are housed here in Macedonia.

#### Justification of a Civil Constitution

[Larger] Perhaps the Albanians are the "critical mass." Specifically, they are not "included" in the constitution as a constituent element of the Macedonian state. A parallel with the problem of the Serbs in Croatia suggests itself.

[Gligorov] This way, we have adopted a civil constitution, and it can be seen from the first article that all citizens of Macedonia are a constituent element of the Republic of Macedonia, regardless of nationality, religion, etc. This was one of the battles that we had to win, once again on the open political scene, in parliament and among the public. In connection with this, there was a difference with the position of the largest parliamentary group and with the former Republic president. Do we want to adopt a national or civil constitution? If we had adopted a so-called a national constitution, if we had proclaimed this state to be the state of the Macedonian people, it would naturally have been a big problem and it would have created a gap that we could not have surmounted by political means, and then that problem of the "critical mass" that you mentioned would have arisen.

This, however, is precisely what we insisted on to the end, and we succeeded in having most of that largest group of deputies vote for the civil constitution, regardless of the position and directives of the party leadership. The fact that the Albanians cite the preamble to the constitution, it, as you know, has no normative significance. It only designates something that is the historical course of affairs, that the Macedonian people, after the Croatian and Slovene peoples, is the last one in Europe to achieve its own independent state. A civil constitution, in principle, does not discriminate against anyone.

And as far as the Serbs and their treatment in the constitution is concerned, we really did not mention them. Here are the reasons why we did not mention them. You know that for a long time, up until the present, the idea has persisted that the Serbian people cannot be mentioned in any constitution of any republic as a minority, but only as a people. Now, in Macedonia, where 13,000 (as published) Serbs live, we cannot start with treating them as a people! On the other hand, in view of the fact that they do not want to be treated as an ethnic minority, we did not want to mention them as such either. Consequently, there was no intention of ignoring them. As citizens, they have all rights derived from the civil constitution. We are not opposed at all,

however, if they feel that they should be mentioned in the constitution as an ethnic minority, along with other nationalities. Furthermore, the constitution provides for the formation of a parliamentary body that would discuss interethnic relations and national relations. When the decision is made on establishing that body, which has to be on a basis of parity, I think that they should also provide two representatives of their own—for example, two Macedonians, two Albanians, two Turks, and two Serbs, regardless of their numbers, and all the problems should be discussed there on a completely equal basis.

[Box, p 8]

#### Correspondence With Adzic

On 4 February I sent a letter to General Blagoje Adzic, in which I invited him to come to Skopje and talk about the overall issues of the army's withdrawal, as well as the means of securing the state border, to establish a procedure for the peaceful withdrawal of the Federal Army, and then settle the issues of military property, to settle the status of military officers, soldiers, and civilian personnel employed by the JNA. I received the answer that these were issues of a political nature, and that they should first be discussed by the so-called SFRY Presidency, which we, in accordance with the Assembly's decision, do not recognize, because it is not legitimate. Then Adzic answered that they had to obtain consent from the commander in chief, i.e. the so-called Presidency. I sent him a letter again, in which I said that this was their business. As far as our authorities are concerned, they have permission to negotiate with the federal authorities. After all, the army "cooked up" all of this, so it is the only one competent to settle military issues. Well, that is how this correspondence went, which has upset the Macedonian public.

[Box, p 8]

#### Dialogue and Compromise

[Larger] Finally, as president of a sovereign Macedonia, how do you see the solution to the war between the Croats and the Serbs?

[Gligorov] The solution of that problem has now taken the only way that provides definite prospects, if peace-keeping forces come to the crisis areas—and I hope that they will. What is behind this, namely the fact that the borders, both internal and external, cannot be changed, is very significant. The problem of the rights of the Serbs in Croatia has to be solved by constitutional means. It is hard to predict what sort of repercussions this will cause, and what intermediate stages, inevitable talks and negotiations about this there will be. A dialogue, compromise, is the only possible way that leads to peace, and which, if we take into account one other fact, opens up prospects for the final solution of this problem, namely the fact that we all want to initiate the process of association with the EC. If all the republics—and we naturally all want it, and I know that Croatia also wants it and I believe after everything that has happened and

that will happen that Serbia will also go in that direction, that the European orientation will prevail among the Serbs as well—want to join the EC, perhaps some sooner and others somewhat later, then the struggle for territories and borders does not make much sense. Europe, whether we like it or not, is interested in the free movement of people, goods, and capital. In that case, in that EC everyone will feel the way he wants, will live where he thinks things will be best for him, and will have whatever national feelings he wants. He will be a citizen of Europe!

#### **Chance To Improve Serbia-Kosovo Relations**

92B40520D Belgrade BORBA in Serbo-Croatian  
10 Feb 92 p 8

[Article by Behlulj Becaj. "Snares of Unclear Goals"—first paragraph is BORBA introduction]

[Text] The Serbian opposition has an ideal chance to redefine its political goals with respect to the Albanians, for the sake of Serbian national interests, while the Albanian side should respect Serbian interests in Kosovo, in this regard, there must be a clear break with the previous policy, in order to avoid a repetition of what has already been seen.

Whether the dialogue between Serbs and Albanians will succeed, remain superficial, or experience the fate of the Muslim-Serbian "historic agreement" depends on many factors, but most of all on redefining political goals and the means of achieving them. The participants in the talks, and those who are for now "wisely" standing on the sidelines, more or less agree that the situation in Kosovo is critical. This situation will not change a bit unless the causes are eradicated and the entities that have led directly or indirectly to the general psychosis and the state of war are changed or removed, especially since this is not just a question of the Serbs' disagreement with the Albanians, but rather with almost all the ethnic communities of our former homeland.

Everyone has contributed to the critical situation, but nevertheless, during the past period the Albanians have been turned into political objects against whom total excommunication and political segregation have been carried out. That is why the initiation of a dialogue implies the willingness of the Serbian interlocutors (the opposition) to reexamine, from the Albanians' point of view, their own role in creating anti-Albanian policy, while the Albanian side (the part of the alternative movement that in practice is prepared for a dialogue) should respect Serbian interests in Kosovo, both for the sake of democracy, and because of the fact that in Belgrade alone there are several tens of thousands of their compatriots. Consequently, the Albanians have to take a clearer political stand with respect to the Serbs here, while the Serbian factor (the opposition) must clearly disassociate itself from the anti-Albanian regime, assess its joint blame, and respect the essence of Albanian interests in Kosovo.

#### **Hostages of the Past**

It is not advisable to continue talks about the future from the standpoint of historical rights, because neither the Albanians nor the Serbs can be (as in the past) hostages of the past. Talks are always necessary, but most of all when disagreement prevails, as is the case now. This is because peoples still do not respect the sober and wise heads of their compatriots who are guided by the power of reason, but instead, unfortunately, listen to those who are intoxicated by their love of power.

A clear answer to this group of questions will also provide explanations for other extremely significant issues. Will an agreement be approached from the standpoint of occupying a better position in order to come to power, or exclusively in order to overcome a possible conflict between Serbs and Albanians that is caused by the fear of authority, and does the agreement lay the groundwork for a more expedient attitude toward the EC and other significant international factors from which pressure is expected.

In view of the red-hot situation, it is hard to believe that any effect whatsoever will be achieved (in Kosovo the participants in the talks are being disputed more than the content), but there will be less of a possibility if the Kosovo question is approached from the standpoint of scoring points in order to come to power, or even to marginalize the existing problems, which were internationalized a long time ago. Political profiteering can only temporarily improve anyone's political standing, but in the long term it only leads to confrontation. That is why the Serbian opposition has an ideal opportunity to redefine its political goals with respect to the Albanians, for the sake of Serbian national interests, while the Albanians should give guarantees, political for now and later institutional as well, that they will not treat Serbian interests in Kosovo in the same way as the current anti-Albanian regime.

Even if an agreement is more of an expression of necessity and less of desires, the interlocutors should not join in it just because they assume that international factors will make it a condition. A political solution to the Kosovo crisis should be more of an expression of the internal needs of the opposing sides, and less of a consequence of outside pressures, regardless of their intentions.

The unified outside pressure should be viewed only as others' desire to replace a hegemonistic Serbia with a democratic one. The Albanians, because of their inability to resolve the mutual disputes by themselves or in agreement with certain relevant political Serbian factors, expect the most from the international factor. Because of the current regime, the Albanians have not seen themselves as being in Serbia for a long time now, even though there is still willingness in some circles not to treat all Serbs as enemies (in spite of the national homogenization), but justification for that, which has been absent in the past, is being sought.



**Indictment Without Guarantees**

The critical situation, by definition, indicts the current regime, but nevertheless, it does not ensure, a priori, the democratic nature of the authorities that seek to replace the present ones. The fact that this regime has been put on the defendant's bench by the opposition, the Albanian people, and the international community does not provide guarantees for an adequate alternative that will definitely settle the unresolved issues in Serbian-Albanian relations. That would lead to a more certain future, because this regime, on one hand, has shown itself to be nationalistic, and on the other hand, anti-national, while only assumptions, objectively, can be made about the Albanian authorities. In this regard, a clear break has to be made with the previous policy, and political goals have to be redefined, in order to avoid a repetition of what has already been seen.

The existing regime has confirmed by speech and practice that it is anti-Albanian, but unless national interests are first clearly defined now, it may happen that when the opposition comes to power it will verbally support respecting Albanian interests, but in practice implement something else, or even the opposite.

Consequently, the most important thing to start with is adopting a definite position with respect to the heart of the problem, i.e., the right to political self-determination. In the second place, Albanians cannot be treated as a minority, as they once were, because in their ethnic areas they clearly constitute the primary ethnic group, not a secondary one, with a high concentration and a territorial density that is quite sufficient for self-perpetuation.

The Serbian-Croatian conflict has confirmed that the idea of "all Serbs in one state" only leads to war. A conflict will become inevitable if there is an attempt to have all the Albanians of the former community, instead of the Serbs, "housed" in some sort of "Greater-Serbian state."

That is why it is necessary for this part of the Serbian opposition to disassociate itself clearly from such a policy, in the interest of peace and the freedom of its own nation and others.

If there is a clear delineation of the causes, the political goals, and the rights and national interests of everyone, then it will be irrelevant whether this problem is discussed by individuals, large parties, or less significant ones. The scope of a possible Serbian-Albanian agreement should be a reflection of the content of the talks, and not the other way around. The series of political priorities should nevertheless be dominated by a demand for canceling the political suspension of Albanians from life as a whole. Any policy that tries to make Albanians into objects with respect to whom the policy will be implemented is condemned to failure. Albanians must not only be the creators of their own policy, but also equal participants in settling all of the unresolved issues.

**Background of Rift in Sandzak Leadership**

92BA0517A *Belgrade BORBA in Serbo-Croatian*  
13 Feb 92 pp 16-17

[Article including interview with Mahmut Memić, deputy in the Serbian Assembly, by Z. Saponjic and D. Jankovic; place and date not given: "Frightening People With the Threat of a Republic and a Curse"]

[Text] Seven days after expiration of the period given him by the Democratic Action Party (SDA) to withdraw from the Serbian Assembly, Mahmut Memić, lawyer and at the moment the first Sandzak dissident, continues to be a people's deputy. The leader of the SDA says that more than 10,000 Muslims of Novi Pazar have put their signatures on a petition against Memić in the last 20 days or so. The signatures, in the opinion of the party's leader, were supposed to confirm the brand of betrayal of his people that has already been placed on Memić.

"Earlier, people more frequently came up to me on the street and in stores and restaurants and told me that I was right and what I was doing was fine. Recently, however, this has been rarer and rarer. I cannot say that I am right, but likewise I can say that they are not completely right either. Only time can tell who is on the right road. I am sticking to my guns, and I certainly will not change my opinion that I am not wrong when I appeal to the people for peace and community with the Serbs. I am also right because I live in this country where I was born, and I do not intend to move away, because I recognize the official Serbian authority. And no one can persuade me otherwise."

**When the Split Began**

"People in the party's top leadership have never discussed the vital issues of the Muslim people of Sandzak either with me or the other two deputies. That was also the case concerning the issue of autonomy, which is mostly why I have been proclaimed a traitor. In the middle of last year, deputies Riza Gruda, Alija Mahmutović, and I prepared a project for cultural autonomy of Sandzak in Belgrade, which we then presented to the Serbian Assembly. We agreed that then we would go to Novi Pazar and agree on everything with Ugjanin. At that time, both Gruda and Mahmutović agreed with me. After I arrived in Novi Pazar, the very next day, deputy Gruda came to me rather in a state and told me that the top leadership of the party, while we were in Belgrade, had drawn up a plan for the territorial autonomy of Sandzak which was to be proclaimed at the celebration of the anniversary of the party's founding, on 29 July of last year. I saw then that the party was preparing for what I feared most—proclamation of a state. I concluded that that could be very dangerous, that they could kill us, arrest us, and dissolve the party. And Gruda told me at the time that he was against what the party was doing and was sticking with cultural autonomy."



"A bit later, I communicated all this to Ugjanin. Sulejman, the way you are operating, not only will they dissolve our party, but we will never put together another organization in this region.

"If we make a state, we need an army, police, and weapons. It is much better for us to use that money to create cultural institutions and educate people, to conduct a policy for the long haul. Ugjanin replied that we should wait and think it all over. However, the very next day Ugjanin, and Mahmutovic and Gruda as well, turned their back on me, and that is when the split began.

"On the other hand, it seems to me that after that conversation even they let up a bit, so that at the party's anniversary celebration they did not proclaim autonomy. They were afraid, because at that time a threat had been made that a special police unit would arrive from Belgrade and arrest all the most important people in the party. I learned that in Belgrade. The arrest was planned either immediately before the meeting or later during the press conference in the stadium dressing room. At that time, I asked the responsible people not to do that. I said that there would be bloodshed, and they really believed me. They heeded me, and nothing happened at that time. However, people in the party later implemented most of what had been planned for that time, but they did it secretly."

#### The Serbs Were Frightened

[BORBA] After you parted company with Ugjanin, were there attempts made from within the party to straighten out the dispute?

[Memić] I say even today that I would have consented to cooperate once again, but only under one condition—that Ugjanin bring intelligent people into the SDA and remove Ismet Hodžić, who I think is utterly incapable of heading the party's Novi Pazar City Committee. Hodžić, and even UDBA [State Security Administration] knows it very well, was the initiator of an action to bring together 10 volunteers, he also knows who volunteered, who were supposed to kill me and blow up my house. When I told Hodžić all this to his face at a meeting, he merely answered that the person whose task it was to kill me had good reason. There are informers in the very top leadership of the party, and they reported that an assassination attempt was to be made on me. I have tangible proof of everything I am saying, and all of that was happening long before the conflict became public.

[BORBA] Some 10 days after the conflict with you, Ugjanin broadened his threats to extend to a far larger group of people.

[Memić] Yes. In the municipal stadium, he openly said in front of 10,000 people: I will create Kosovo a republic and Sandžak a republic or die trying. He also added: A curse on anyone who kisses another flag than the green one. It is fine for Ugjanin, the leader here, to create a republic of Sandžak, but who is he to guarantee to the Muslim people that he will create a republic of Kosovo?

What does that mean? He came from Mitrovica, he is Albanian by origin, he has ties with the Kosovo alternative, with Tudjman.... Who is he to set the Muslims at odds with the Serbs who are old settlers here, to frighten them with some kind of republic and a curse that will fall upon them if they do not kiss the flag of the SDA? I have quite a few friends among the Serbs, and many at that time were quite frightened by what Ugjanin was saying.

#### Lies and Insinuations

[BORBA] Both Ugjanin and Rasim Ljajić are newcomers in Novi Pazar. Why has their politics found such fertile soil among the Muslims who are old settlers?

[Memić] Both he and Ljajić were completely anonymous when they came. Both had studied in Sarajevo and were in contact with the SDA for Bosnia-Herzegovina while they were there. At the same time, it is also a fact that they are the ones who brought to Novi Pazar the idea of establishing the party. It should be borne in mind that this happened at precisely the time when the ethnic parties were established in Serbia, when Vuk Drasković was threatening to cut off people's hands and set up signs pointing the Muslims toward Turkey. Kalibarda and his Chetniks were also threatening the Muslims, and Seselj was making himself heard. It was in that state of heightened emotions that the Sandžak SDA came into being as well.

[BORBA] That state of heightened emotion, however, seems to have persisted even today. The petition against you was signed, that is, support was given to the policy conducted by Ugjanin, by so far more than 10,000 people, according to certain information.

[Memić] I know that they can gather not 10,000, but 30,000 signatures, if necessary. In those circles, at the moment they are being believed more than I am. I cannot go out alone and persuade people that what is being said about me is not the truth, that all the propaganda being launched by the SDA is brimming with lies and insinuations. I know for certain that their activists are going from house to house and saying that I am a traitor to the Muslim people. They threaten people who do not want to sign. And I am certain that if they do not sign, they will cause problems for them later.

[BORBA] What about your supporters?

[Memić] I had the impression that I was supported by many more people here. Especially people born in Novi Pazar of both nationalities. However, those in the party who say that there are many more inclined to Ugjanin's line are right. People are simply finding something they have been looking for. It is difficult to say who was right, I or Ugjanin, at this moment. Time will tell all. I have the impression that people are afraid to oppose the Democratic Action Party. I do not know why or what they might be afraid of.

[Box, p 17]

**Arms Smuggling**

The public trial organized against me by the SDA in Novi Pazar precisely coincides with the discovery of arms smuggling from Bosnia in which even certain people from the party were involved. It seems to me that reviving my case was only to raise a lot of dust and cover those much more important events. Soon, we will know the results of this petition which has been signed against me. The leaders of the SDA will be triumphant, they will say that the people have shown who they favor, dust will be raised once again, but I wonder what they will do after that? The results of the inquiry into the arms smuggling will be published, there will be a trial, they will find out where the arms came from and for whom they were intended. I am certain that the party leadership will again stage certain events in order to bury those things. That kind of behavior reveals yet another fact: The Sandzak SDA does not have any general line and policy, but is being led from case to case.

[Box, p 17]

**Arms From Croatia**

I have continually been warning friends in the party that it is bad business for the SDA to have ties with Croatia and Tudjman. I know that in 1941 the Croats were very much interested in setting us at odds and that they will try that even now. War is being waged in Croatia, and it is clear to Tudjman that it will be easier to settle accounts with Serbia if the so-called southern front is opened. I am certain that those weapons that arrived in Sandzak mostly came from Croatia. Some of them had been captured in recent months, however, weapons have also been arriving through other channels which are much more reliable—those through Kosovo. Many people in Novi Pazar are aware that these arms have been sold here at a very high price. A thousand marks for a pistol, 2,000 or 3,000 for an automatic rifle. Many of those weapons were defective, which indicates the true intentions of Croatian policy.

It is no wonder at all that Ugljanin often visits Zagreb, that he devotes so much attention to Croatian television, and that he is making public the results of the referendum to dozens of foreign journalists in hotels in Zagreb.

It is rather symptomatic that they are receiving so much attention in Croatia and that Tudjman holds them in higher esteem than Izetbegovic.

[Box, p 17]

**Good Believer, Poor Politician**

A monument should be built to Ugljanin for what he has done for the Muslims of Sandzak up to this point, but, in my opinion, he is unable to lead the Muslims of this

region any further. He simply is not educated for anything of that kind. He is an honest man, a good believer, but he is not a good politician. Without educated people, and there are few of them around him, neither he nor the SDA can properly represent the interests of Sandzak Muslims.

**Statute Proposed for District of Istria**

92B40484A Zagreb DANAS in Serbo-Croatian 4 Feb 92  
pp 18-19

[Unattributed interview with Ivan Jakovcic, president of the Democratic Assembly of Istria, place and date not given: "From a District to an International Region"]

[Text]

**From a District to an International Region**

"If the Croatian army is going to be a professional army, then we want complete demilitarization, but if military duty is going to be served as it has been until recently, then we want the District of Istria to have one military barracks for the citizens of Istria..."

[DANAS] Can you explain, in short, what is the IDS's [Democratic Assembly of Istria's] draft statute of the District [Zupanija] of Istria?

[Jakovcic] With our proposed statute we have defined the District of Istria as a unit of local self-government and administration, as part of a unified and indivisible Croatia. Therefore, we are not in favor of some kind of extra-territorial status for Istria, but favor its comprehensive development within Croatia. Since we have made the judgment that the Croatian republic proposal does not intend to give greater authority to districts, we have anticipated following the path of contemporary European solutions in regard to regional self-government so that districts, including our own, would have legislative and administrative authority. Its organs would be the Istrian Assembly, a president, and a government. We have defined their jurisdictions and the principles on which they would function, taking into consideration that all their decisions would have to be based on the Constitution and laws of Croatia. It is important that we provide for the district to have its own finances, land, and property. Distribution of income would be regulated by district laws. We have also drawn up regulations for the rights of the Italian minority, as well as protection of the Istrian community and its specific characteristics. We propose that the District of Istria be an economically free and demilitarized zone. We believe that tourism and the military do not go together, which does not mean that we are thereby questioning Croatian sovereignty. After all, both Split and Sibenik are seeking demilitarization now, and the front is about 30 kilometers from them. If the Croatian army is going to be a professional army, then we want to be completely demilitarized, but if military service will be carried out as it has been up until recently, then we want this district to have one barracks for the citizens of Istria who are to carry out

their army service here. In the final regulations, we anticipate that the Republic of Croatia, along with the Republic of Slovenia and the Republic of Italy, should create the conditions for constituting the Region (Regija) of Istria, respecting in this regard the provisions of the Vancouver Conference that pertain to Istrian emigrants, but in a way that will not violate the rights of other citizens. The region of Istria would be an international region. In this regard we believe that there can be no consideration given to border changes; this includes the present flirting with the idea of exchanging part of the Croatian part of Istria for some other parts of Slovene territory so that Slovenia would acquire access to international waters of the Adriatic. This international region should be created gradually. It would carry out legislative and administrative authority for the entire area of the region. Istria has always functioned in a unified way. We have never been divided because of national or language differences. Italy and Austria are already now creating concrete conditions for forming an international region in the territory of southern Tirol and the Austrian Tirol; we would like the same to be done for Istria. This is the future that seems to us unavoidable. I emphasize that, with this, we have no intention of jeopardizing the territorial integrity and sovereignty of Croatia or of

[DANAS] What territory would the District of Istria encompass?

[Jakovcic] According to all our indicators—in addition to Rijeka, Buzet, Porec, Rovinj, Pula, Pazin, and Labin—I believe that Istria would also like to be in the District of Istria. I believe it should be included in the District of Istria immediately and, later, if they judge that this is not good for them, it would be possible for them to come out and join some other district. There are a number of comparable economic elements and also historical reasons favoring such a solution. The situation is similar in regard to Opatica. There also, there is already a sufficiently large critical number of those who would like to join the District of Istria.

[DANAS] Why have you already worked out in detail the areas of jurisdiction of the district?

[Jakovcic] The republic proposal on the territorial apportionment of the districts seems to us to already indicate that it does not intend to give hardly any authority to the districts. The very number and disintegration of the districts indicates that in fact no consideration is being given to regional interests, because otherwise the current recognition of regions would be respected. Regions are already being identified, such as Istria, Slavonia, Dalmatia, Lika, Zagorje, and not only for historical reasons, but also in order to organize Croatia in such a way that its large resources would be most effectively used. The present republic proposal, with its crumbling of districts, will lower the effectiveness and initiative of citizens, which will inevitably lead to restoration of a probably quite strong state apparatus, which will then make impossible effective economic

operation, and in the future there will be excessive political influence over the economy and other areas of life.

#### Head of Croatian Security Services Interviewed

Zagreb NEDJELJNI VJESNIK in Serbo-Croatian  
16 Feb 92 p 11

[Interview with Jerko Vukas, deputy minister of internal affairs and head of the Service for Protection of the Constitutional Order, by Mladen Pleše, place and date not given. "Jerko Vukas: Neither Secret nor Political Police"—first paragraph is NEDJELJNI VJESNIK introduction]

[Text] Since the establishment of the democratic system, nearly 60 percent of employees have left the Service for Protection of the Constitutional Order (SZUP), and now it is neither a Kosovan, nor an executional, nor a Bolshevik service.

The chiefs of all the world's secret police very rarely make public appearances, and even more rarely do they give interviews. The reasons for this are simple. Not only is their job—whether they admit it or not—wrapped in a veil of secrecy, they also have nothing to say to the public, since, quite simply, everything that they know falls under the domain of state secrets. Because of this, their name generally appears in public no more than three times: the first time, when they become the chief of the secret service, the second time, when their service makes a mess of something, and the third time, when they leave their post. Moreover, the lucky ones whose names are mentioned in a positive context are rare indeed. It seems that there is nowhere in the world where the public can forgive that which, based on the very nature of the work of an intelligence service, is far removed from their sight, so that when the media get hold of some fact that could compromise intelligence officers, they make abundant use of this. And a high price is usually paid for the mistakes of secret services. Governments fall, ministers are brought down, diplomatic relations are broken off, states go to war. In a word, the consequences are felt for months, if not in fact for years. Successful moves, of which there are many more, either remain secret or are not infrequently attributed to some other institution.

Our interviewee, Jerko Vukas, the deputy minister of internal affairs of Croatia and the head of the Service for Protection of the Constitutional Order, is no different from his colleagues in the rest of the world. He too does not make public appearances, and he was not exactly enthusiastic in agreeing to an interview with VJESNIK. It was only business considerations, but also the needs of the Service, that motivated this young man from Sinj to submit to the journalist's notebook. Specifically, the Service that he heads, although continually an object of public interest since the establishment of the democratic system, has in recent weeks once again come under cross fire from the media, as well as from certain politicians.



And this, of course, with negative connotations. The accusations are not trivial: that the Service has not changed in the least, that it has remained unaltered, and thus Bolshevik, in terms of personnel; that it is behaving exactly like it did under the previous system; that it is above the state, the law, parliament.

Although he has never had an affinity for nor imagined that he could be involved in such work, Jerko Vukas has found himself in the position of head of the Service for Protection of the Constitutional Order, and perhaps precisely because he "became chief of the Service through no fault of his own," without the least bit of delay or handicap, he responds with concrete information and denies certain views as well as judgments about the work of the Croatian "secret police."

[Vukas] First of all, this is not some sort of secret service. Unfortunately, part of the public, influenced by what happened under the previous regime, but also by spy movies and novels, fosters false notions about the work of the Service for Protection of the Constitutional Order. In this way, an inaccurate picture is painted, which then takes root in the form of negative connotations, which could sometimes be detrimental to the Service, but also dangerous to the work that it is obligated to carry out. The Service for Protection of the Constitutional Order is an official state agency that works against all clandestine and organized activities aimed at a change in the political system and security of the republic in an illegal and unconstitutional manner. Thus, it is neither a secret nor a political police service. Quite simply, it is an organization within the Ministry of Internal Affairs which the state has authorized to counteract and prevent all illegal and unconstitutional activities.

[Plese] Perhaps suspicion among the public is aroused by the possibility that your Service, acting freely and on its own, decides who all is threatening the constitutional order?

[Vukas] Here too, everything is clearly spelled out. Constitutional order and security are threatened by sabotage, commando raids, terrorism, armed revolt, secret associations, and espionage, and in these cases the Service is authorized to take action in accordance with the law and to prevent such activities. There has been plenty of public speculation and a large number of various models published concerning the organization of the Service. But there is no mystery whatsoever in this regard either. We set up the Service, organizationally as well, in such a way that it is able to respond to all the challenges that I have mentioned.

Thus, we have the Department for the Elimination of Extremism and Terrorism. This is the department that is in charge of eliminating occurrences of extremism that threaten the state and its organization. Right now the most present and most dangerous form of this is Serbian extremism, whereby we all know and feel the trouble that this has caused for us, but at the same time, we also have occurrences of Croatian extremism, which could

through its activities, objectively threaten not only the interests, but ultimately also the very constitutional order of Croatia. The third one is the Department for Counteracting Intelligence Activities and Intelligence Missions, thus, this is the department concerned with counterespionage. We want to create a modern counterintelligence service that will be able to follow and check up on all intelligence activities directed against our country, and here we are preparing for a few additional organizational steps. The fourth one is the Department for the Application and Development of Operational Technology, the fifth one the Department for Affairs of the Information System, Documentation, Evidence, and Microfilm, and the sixth one the Department for Affairs of Security and Counterintelligence Activities.

[Plese] You forgot the second department in your list.

[Vukas] No I didn't, because that department no longer exists. That was the notorious department that under the previous regime dealt with Croats living abroad. Thus, while reorganizing the Service, we decided simply to skip over that number.

[Plese] If I am not mistaken, one could conclude from these names that the fourth department could be involved in wiretapping, which is the most intriguing business of any secret service. If this is so, is not the very existence of that department the best proof that wiretapping is still going on?

[Vukas] Listen, there is no service of this kind that would be able to protect the constitutional order and security if it did not use methods and means whose application is precisely spelled out and delimited by law, but which could irritate the public, and quite understandably and justifiably, due to previous as well as possible abuses. This relates most of all to reading letters and listening in on telephone conversations. But I assure you that this is being done rarely now, that letters are almost never even being opened any more, and that conversations are being listened in on in very negligible numbers and in exceptional cases, so that there is no reason whatsoever for uneasiness. Wiretapping is being used with those who are justifiably suspected of or for whom there is evidence that they are coming together in order to undermine order, with those who are engaged in espionage, or with those who are making preparations for terrorist acts.

But our capacities, both technical and human, are such that they in fact do not permit abuses. In addition, there is the Assembly Commission for Supervision of the Legality of the Work of the Service for Protection of the Constitutional Order, which functions based on the model of similar parliamentary commissions around the world, and which is authorized to supervise the methods and manner of our work. You know, the goal and mission of our service is to preserve the democratic system and constitutional order from those who want to destroy or threaten it. And I am here to assure you that such people still exist. For this reason, the demands that are heard from time to time that this Service should be



disbanded are neither politically justified nor realistic for reasons of the state's interests.

[Plese] It seems that the greatest confusion in fact surrounds the scope of activity of every secret service. Methods are less controversial, however, because they are inevitably similar in all countries, regardless of organization?

[Vukas] First of all, every state in the world has its own intelligence and counterintelligence services, services that protect their constitutional order, and thus qualified agencies that protect the state on an organized and official basis from secret activities and associations intended to disrupt the constitutional order and political system. To charges that a democratic state does not need such a service, one can respond that it is true that a state could function without such a service, but the question is with what sort of consequences and at what price.

For purposes of comparison, let us look at the current Service for Protection of the Constitutional Order and the former State Security Administration [UDBA]. The differences are enormous, and they relate primarily to the scope of activity. The UDBA followed and concerned itself with everyone whom it felt was not a follower of communist ideology, and for this reason it had to deal with the church, with people who lived in the diaspora, with students, professors, journalists, and intellectuals in general, and it carefully followed the emergence of all parties. You see, the Service today is not following any of this, nor is this an object of its interest. We are interested only in those who are coming together or want to threaten the constitutional order. And this does not mean parties, nor their members, nor intellectuals, nor the church, nor the diaspora, which is supporting and helping us with such zeal.

[Plese] There are divided opinions among the public concerning the personnel situation in the SZUP. According to some, no changes whatsoever have been made, or at best only minimal ones, while according to others, more has been done than anywhere else in the state administration. As the highest-ranking person in the Service, can you tell us how radical the changes have been?

[Vukas] The changes have been enormous and substantial. Of the former personnel, somewhere between 30 and 40 percent have remained in the Service. Thus, anyone can draw the best conclusions about how significant and radical the changes have been from these figures.

[Plese] The greatest criticism related to the ethnic composition of the former State Security Administration

[Vukas] Well, you know, the disparity was rather political in nature, and no matter how differently you think, it was unjustified. Nearly 60 percent of the people working for the Service were Serbs, and it comes as no surprise that many people had no confidence in the work of such a service. Because of this, we had to undertake

measures to rectify that proportion. We are not creating an ethnically pure Service today, but it must have a composition that will correspond to the ethnic structure of the population.

[Plese] When you took over this position, you encountered numerous other problems, aside from the ethnic disparity?

[Vukas] It is not difficult to conclude that given the colossal societal changes being undergone by Croatia, it is necessary first of all to adjust the most delicate functions of the state, which naturally includes the police, to new duties and needs. For this reason, those of us who came here to work set up a team to deal exclusively with ourselves. Specifically, it was obvious to us that at least 30 percent of the personnel at the time was continuing to cooperate with the military intelligence service, with which they had been closely linked previously. And then we were also aware that some of the people from the old system were unwilling to support political changes, that they were too strongly connected to the old system, and that they did not even know how to adjust to the changes.

The hardest thing here was determining who fell into which category. We wanted to leave alone everyone who was able to and wanted to continue working, who had not violated laws. You know, that was clearly no simple task; after all, it affected human destinies and the existence of their families. We do not harbor the illusion that we have in fact uncovered everyone who worked for or is working for the KOS [Counterintelligence Service]. After all, there is no service of this kind that is immune from people infiltrating it, but there can be no doubt that we have uncovered the majority of them.

We had to take a look at many people in the Service and reexamine their work, so that right now the people remaining are the ones whom we believe want and know how to work in the new manner. They will also help see to it that everyone who comes in now, and that means people up to 30 years old, with college degrees, and without political baggage in their past, will be qualified for work in the Service as quickly as possible. We have organized courses at which they are trained for specific needs resulting from the mission of this Service. This is now a Service of exceptionally young, college-educated people, and not one of the former adjectives used to describe it, such as Kosovan, executorial, or Bolshevik, applies to it any longer. Now it is a service of professionals who have put their knowledge at the service of protecting and preserving the constitutional order of Croatia.

[Plese] Before assuming this post, you had no experience whatsoever with police affairs. How have you oriented yourself?

[Vukas] It is true that I never even imagined that I could work in the police. That was always so far removed from me that the offer that I accept this post took me by surprise and I asked people whether they really knew me

when they offered me this job. But once I accepted it, it was not too hard to begin doing it. Specifically, it was first necessary to carry out a fundamental reconstruction and reorganization, and in questions of that nature I am not lacking in experience, because I was only a manager at the firm where I worked, and after the elections I held the post of president of the opština of Sinj. Because we were forced to undertake a fundamental reorganization of the Service, I became gradually acquainted with its specialized problems, so that I mastered the secrets of my new job relatively quickly, about which, I must be quite frank, I knew almost nothing when I arrived.

[Plese] How were you received, as a member of a party to which the former State Security Administration was not exactly well-disposed?

[Vukas] I was well-received. You know, for the initial period I simply took in the situation and studied people, because I wanted to convince myself personally of who was what I wanted to give everyone an opportunity, regardless of their national, religious, or party affiliation. That did not interest me in the least. And who was what manifested itself very quickly. I began to work together well with some people immediately, while some dropped out at the very outset because they were not interested in cooperation. I value professionals who do their jobs by the book, who have understood and supported changes, who have demonstrated a willingness and desire to work on behalf of an autonomous, sovereign, and independent Croatia. I believe that those who are here today will stay here.

[Plese] But the "Labrador" group has also been uncovered during your term, a group that worked for the military intelligence service. What did you think about that discovery?

[Vukas] That discovery did not surprise me. I have already said that we knew that 30 percent of the old personnel retained ties with the KOS, that they worked together for years, so that it was hardly a surprise that they wanted to leave their people in our ranks. But we knew that, and we were ready to deal with this issue.

[Plese] There is a fair amount of public speculation about the responsibilities and relations between the Office of the President of the Republic, which is headed by Mr. Manolić, your Service, and the newly established military service, the Security Information Service (SIS).

[Vukas] Our Service is primarily concerned with security issues in civilian structures, while the SIS follows the military part and it naturally has a much smaller scope of activity. The gathering of information is now being organized within the framework of the Ministry of Internal Affairs, as is customary in world diplomatic practice. The work of these services is coordinated by the Office of the President of the Republic for Protection of the Constitutional Order, headed by Mr. Manolić. Thus, each service does its own part of the job, and the information and knowledge that is gathered is then brought together and analyzed in the Office of the

President. Based on the accumulated information, that Office coordinates the work of the services, directs them and specifies their duties. There are no problems whatsoever here, because everyone is obligated to do his part of the job.

[Plese] With international recognition of Croatia and the possible end of war operations, the Service for Protection of the Constitutional Order will quite certainly acquire new duties.

[Vukas] If the war ends, peacetime circumstances will emerge for many state institutions. But for us, the war will go on for some time, we will not have time to rest, and we will have to continue working under a full load. The war after the war, in which there could be terrorism and all sorts of other things, will quite clearly mean new obligations for the Service. For this reason, we must make preparations in order that we are able to stave off any attempt at individual or group terrorism, any assault on the constitutional order and security of the citizens. Because of this, we will have to reinforce the Service's personnel. On the other hand, Croatia is becoming interesting to many countries, numerous embassies will be opening in Zagreb, economic and other ties will expand, and it is certain that at some point someone will try, either politically or economically, to take advantage of our hospitality, in order to achieve goals that are not in the interest of the Republic of Croatia. And it is the duty of our service to resist potential abuses of this sort as well.

#### Montenegrin Minister on Opposition Meeting

92BA0530A *Tugrad POBUEDA in Serbo-Croatian*  
12 Feb 92 p 9

[Article by Bozidar Babic, Montenegrin defense minister "The People Will Not Forgive You for That"]

[Text] Although the meeting recently held on Cetinje of the newly constituted opposition is not even worth a comment, much less an analysis, even the most superficial, because of the serious offenses committed against the Montenegrin people and armed forces on that occasion, those hotheads need to be taught (because they obviously are not able to see and judge it for themselves) where they are headed with these attempts to realize their political objectives.

Their blindness, and one does not need to be wise to conclude something else as well, at that passion-packed meeting, in their laments for some independent Montenegro known only to them and some projected independent Montenegro, was particularly evident in the song with which they called for forgiveness from Dubrovnik (read from the Ustasha government): "A shout came from Lovcen, forgive us Dubrovnik, those were all Chetniks, Momir's mercenaries."

But let us go back to the beginning. This really would not be worth comment if it were not a direct insult to the pride and honor of the Montenegrin people and the

Army. In the name of defending honor and pride against the insults of these thoughtless people, who convey their political commitments, which we will not go into, because that is their right, in an inhuman and utterly offensive manner, we must tell them about at least two facts which they must keep in mind.

#### **It Was the Ustasha Government That Caused the War**

The first fact: The secession of Croatia from Yugoslavia culminated in the war against the Serbian people (according to them: Chetniks, outlaws...) whose rights had been taken away and who have been placed outside the Constitution and the law in that "democratic" state and against the armed forces of Yugoslavia, which were above all preventing interethnic conflicts only afterward to be portrayed as an occupying army, whose destruction was threatened had it not taken what it took. Accordingly, the war in Croatia was provoked and waged by the Ustasha government and their armed formations against the Serbian people in Croatia and against the armed forces of Yugoslavia. Does anyone really need proof as to who is waging war against whom and for what objectives after everything that those authorities and their formations have done on the territory of Croatia?

As far as Dubrovnik and the lamentations of the opposition regarding it are concerned, this obviously does not fit into their concept, because the basic goal of the opposition is to proclaim Montenegro and the armed forces of Yugoslav occupiers (!), which is another way of blaming them for the war (which, according to them, occurred through the fault of the Montenegrin leadership and the Army), so that on the basis of that highly construed conception they can win points with the citizens of Montenegro on the eve of the referendum! After that, they really did win points, but what kind of points, presumably they will have an opportunity to judge for themselves.

We must remind them that it was not Montenegro and the Army on its territory that provoked, began, and waged the war against the Ustasha government and the Croatian people that has been seduced in that area, but actually that "democratic" government and its armed formations attacked Montenegro and elements of the armed forces on its borders. We recall those events which the Ustasha formations provoked and which have continuously threatened to bring war and devastation to Montenegro: On 12 September 1991, there was a considerable increase in the number of forces of the MUP [Ministry of Internal Affairs] and the ZNG [People's Guard Corps] on the roads, at points, and crossroads in the direction of Montenegro, new weapons were advanced, and gun emplacements and machine-gun nests were established; on 16, 19, and 20 September, new Ustasha forces were brought up toward the border: there were constant provocations against the garrison on Prevlaka..., on 24 September, fire was opened several times against the positions of our units in the village Ivanjica, on 25 September, there was small arms fire and Ustasha formations began movements toward villages on our

territory..., on 26-30 September, daily attempts were made to attack the garrison on Prevlaka and in the direction of the village Sutorna. Mortar attacks on the villages Malta and Prijevor.... And so that it will be completely clear as far as Dubrovnik is concerned: The world knows of Dubrovnik as a cultural treasure and jewel, and a special attitude toward it as a historical and cultural treasure will always exist wherever it is and to whomever it belongs from the political and territorial standpoint. There is no dilemma about that. Montenegro and the Army expressed a completely clear position concerning its preservation and did not contribute even to its partial damage. The other side of the coin is what the opposition refuses to see when it is begging Dubrovnik for forgiveness.

#### **Concern About Dubrovnik**

The Yugoslav People's Army (JNA) never had military units in Dubrovnik and its immediate vicinity during the postwar period, defining its attitude toward it in that way. Nor did it do this even just before the present war in Croatia began. Was this also the behavior of the Croatian government of the HDZ [Croatian Democratic Community]? No, on the contrary, it took every step to "fill" that region with armed formations which, by constant provocation of units of the armed forces of Yugoslavia carrying out missions on its approaches, that is, under protection of that cultural monument, would operate against our units and inflict losses. Of the daily provocations and attacks of the Ustasha forces from Dubrovnik over several months, let us recall at least a few: On 27 October 1991, in the afternoon hours the Ustasha forces opened artillery fire from Lokrum and the ramparts of the city against a vessel by which an observer mission of the European Community was returning from Cavtat to Dubrovnik..., on 2 November, mortar fire from the old city killed two members of the armed forces..., on 19 November, fire from a missile in Dubrovnik hit a vessel of the Yugoslav Navy, wounding five members of the armed forces... Should the units have looked on calmly and taken the fire from cannons, mortars, and small arms fired from the walls of the city from houses, from parks and hotels, without responding in those situations? When they do not place a value on that Dubrovnik, because they obviously did nothing to preserve it, why, then, looked at from the viewpoint of conducting combat operations, should the units of the JNA and TO [territorial defense] show greater interest in that than they did? Who in this case, gentlemen, should be apologizing to whom?

The second fact: Members of units of the armed forces which were and are waging war in the Dubrovnik region are regular officers and men doing required military service from almost all regions of Yugoslavia, reserves and volunteers who manned units of the JNA and TO stationed on the territory of Montenegro.

By what criteria, you gentlemen from the meeting in Cetinje, do you proclaim all of them to be Chetniks and Bulatovic's mercenaries?



Behind the tens of thousands of fighters whom you call Chetniks stand their families, relatives, and friends, who were supporting them and approving the war they were fighting, so just make a simple calculation, whether there is anyone else in Montenegro except you and those who think like you whom you have not proclaimed to be Chetniks?

It would have been better if in a peaceful and constructive way, with arguments (if you have any, not just insults), you had made public your commitments and in that way emerged more honorably from this situation which, whether you acknowledge it or not, has put you in an already extremely unenviable position. So, be concerned about that.

[Box, p 9]

#### Strange Messages

Would the opposition, as it showed itself to be in Cetinje, have been happier if the Croat formations had entered the territory of the Boka [Kotor Bay], destroyed Herceg-Novi, Tivat, Kotor...and realized the empty desires of their supreme commander, who has not held back from expressing such claims against Montenegro precisely before the war began? In response to the provocations, threats, and armed attacks against the territory of Montenegro and attacks against the Army, should they have remained passive and merely looked on as these things happened? Are they not strange, these impassioned messages asking Dubrovnik and the Ustasha HDZ authorities forgiveness, when they have inflicted so much evil on the Serbian and Montenegrin peoples and on our Army? Obviously, the opposition cared more about apologizing to the Ustasha authorities and about proclaiming to be occupiers those who have bravely, honorably, and honestly opposed that evil on the borders of their homeland. Montenegro will not forgive you that, you gentlemen from the meeting in Cetinje.

[Box, p 9]

#### Thoughtlessness

Can it be that you are proclaiming to be Chetnik those altogether patriotically committed people who with their lives have been and are defending the honor and pride of the Army and the borders of Montenegro against the Ustasha hordes? It is really blind and thoughtless to slander the 5th Proletarian and the "V. Vlahovic" and "S. Kovacevic" Brigades, the volunteer brigades, numerous detachments, naval forces, and units of the Air Force and Air Defense. Do you know what you will be told by the tens of thousands of fighters at the front and especially the families of the hundreds of wounded fighting men?

#### Causes for Defection of JNA Pilots Discussed

92BA05298 Belgrade POLITIKA in Serbo-Croatian  
10 Feb 92 p 7

[Article by Miroslav Lazanski: "Why the Pilots Are Fleeing"]

[Text] "To defeat the adversary here and now, that is the desire toward which all the threads of the entire war plan are directed." This is an idea of Clausewitz to which one might attach the question: What conflict is there between freedom of action at the operational level and freedom of action at the strategic level?

In an army in which subordination is very strict, there are, of course, no such dilemmas, but the case of the flight of a pilot of the Yugoslav RV and PVO [Air Force and Air Defense] who abandoned his unit at the Bihac airfield in a MiG-21 requires a much more complex examination. So much more complicated that we need to recall even Clausewitz.

First of all, only two pilots have fled from the ranks of the Yugoslav RV and PVO in the past seven months, one to Austria and now the other to Croatia. Accordingly, the question "Why are the pilots fleeing?" can hardly be put. After all, two cases do not make a trend. To be sure, the flight of the pilots in view of the piece of equipment in which they make their departure is an occurrence attractive to the media and usually gets exclusive priority with the public: "Why are the pilots fleeing?" Because they have the means with which to do it!

In the specific cases, both pilots, Perisin who fled to Austria and Borovic who flew to Croatia, were forbidden to fly precisely because of suspicions of the competent authorities that they might do what they did. Pilot Borovic was grounded for a month. So, then, what happened?

#### The Same Scenario

Grounded pilots come to work, they associate with their colleagues who are flying, they behave absolutely correctly, especially those who have even been in combat during the war. The feeling of solidarity among pilots, so specific to that calling, creates over time a pressure on the authorities and the men of the unit when colleagues ask the question: "Why is so-and-so not flying, why be suspicious of a man before the fact?" When this question is put by a sizable number of pilots, it is very difficult for those who make the decision to be indifferent to the attitude of the collective. Especially because usually the family of the pilot who has been grounded also lives in that garrison.

And so Perisin was allowed to make several reconnaissance and combat flights, from which he regularly returned after performing all his missions, and then only after the fifth such flight did he simply fly to Austria. He synchronized the departure of his family from Bihac in advance.



It was much the same with Borovic. He, too, had been grounded, and his fellows asked about him: "Why suspect a man when he has performed so well in the war?" And he was allowed to fly. Again, after he had made several reconnaissance flights, on the day he fled he had a reconnaissance mission in the afternoon, he went off on night patrol, and then he broke off radio contact with the base when he flew over Velebit and he left. His family also left Bihać that day. It seems that the technology of the departure was simple.

The Yugoslav RV and PVO has performed more than 5,000 combat flights during almost seven months of the war, firing or dropping more than 100,000 explosive charges, even holding the front on its own in some places. With about 800 combat aircraft and helicopters, more than 2,500 pilots, the Air Force has also experienced a kind of catharsis, 10 percent of its personnel have left its ranks.

These were mainly technical and nonflight personnel. The principles by which some people made their choice varied greatly, the criteria differed from case to case. The air transport brigade at the Pleso Airport near Zagreb can serve as an example.

That is, officers who were Serbs and married to Croatian women, all of whom had their apartments in Zagreb and their children in school, also left it to join the ranks of the Croatian army. Others, Croat and Slovene officers loyal to Yugoslavia and the JNA (Yugoslav People's Army), married to Serbian women, came to Belgrade with the brigade, which had been transferred, leaving behind in Zagreb both their apartments and all their property.

In the 5th Air Corps of the RV and PVO, from which both pilots fled, there are quite a few Croat and Slovene officers, all of whom have been operating in combat during this war. At this moment, 48 percent of the personnel in the Yugoslav Air Force are Serbs, the rest belong to all the other Yugoslav nationalities and minorities. If all of them now left the RV and PVO, this country—Yugoslavia and Serbia, would have neither an air force nor air defense for a period of at least four years. Pilots are the flower of the technical intelligentsia of any country; their schooling is the most expensive, and experts in air defense are not created overnight. Which makes it all the more necessary, then, to approach the problems of the RV and PVO with care and a sense of proportion.

#### Witch-Hunt

That careful examination of the problems of the RV and PVO and of its treatment in the public domain means first looking at the state of combat readiness of the Yugoslav Air Force, that is, answering the question: Why has the Yugoslav RV and PVO been the most attacked in the media of the Republic of Croatia?

In this war, hundreds of officers and men, perhaps even thousands, have fled from the ranks of the JNA to the other side. Colonels have surrendered garrisons and

brigades, a general even surrendered an entire corps (the Varazdin Corps); all have surrendered and been disloyal, Croats, Slovenes, even Serbs. In that context, the two pilots who fled are, of course, a trifle. The combat capability and readiness of the RV and PVO remain intact; what is more, the Yugoslav Air Force is stronger now than last year.

Which is precisely why a rabid campaign is being conducted against it in the Croatian media. The classic journalistic technique of the "witch-hunt" has been used. The first aim is to isolate the RV and PVO from the other segments of the JNA, precisely because it is the most professional and because of the technology of what it does. The speed with which the RV and PVO was convicted in the case of the downing of the EC helicopter, when the inquiry still had not made its report—shows the negative echoes that this kind of orchestrated campaign against the RV and PVO achieves even in these parts.

The pilots of the RV and PVO living at air bases in the republic of B-H (Bosnia-Herzegovina) are exposed every day to threatening letters, telephone messages, blackmail, and pressure. The management personnel in the media and the directors of the special teams that run the media in the Republic of Croatia have adapted reality to the old formulas of Hollywood fiction, having achieved fantastic manipulation of the masses. A critical spirit has become a real luxury in which only very few newsmen in Croatia indulge. The pilots of the Yugoslav RV and PVO also live in that media environment, because the broadcasting of Croatian television is viewed both in Bihać and Banjaluka.

In the situation when the institutional memory has been methodically destroyed, and a campaign of disinformation takes on monstrous proportions, the individual, even though he is as highly trained as a pilot, is exposed to great temptations. The conflict between the brain, the mind, and the eye can end in a victory for the eye. About 60 to 70 percent of the messages that a man receives and remembers comes from what he has seen.

The advantage of the picture and of television, the Coca-Cola version of a television Machiavelli, are a more murderous weapon to the individual's psyche than ordinary truth and justice. An army which has for its ally only truth and justice cannot count on a speedy victory in today's wars, because the truth is slower than modern warfare.

#### A New Foundation of Loyalty

And Clausewitz and the pilots? After the unfortunate operetta war in Slovenia, leaders of the JNA said publicly that the Army would not withdraw or move out of Croatia. Croat pilots who have remained in the RV and PVO probably counted on that, they took this as something certain. At the strategic level, they were in a way promised that the JNA would remain in Croatia.

That is that freedom of action at the strategic level, but now that the JNA is moving out of Croatia some of the Croat pilots are certainly feeling disappointed and abandoned. Does this then create the occasion for freedom of action at the tactical and operational level? In the context of such a fierce call for ethnic identification, such sharp ethnic divisions, betrayed hopes and expectations, there is an urgent need to create a new foundation of loyalty for all, for those who are not disposed to change uniforms, but also for those whom the development of the situation, the concurrence of various circumstances, has put in a state of increased emotional-mental tension and susceptibility. Assuming, of course, one wants to preserve the Yugoslav character of both the Army and of the RV and PVO.

If not, then say so publicly.

### Measures To Contain Inflation in Croatia

92B40521C Zagreb VECERNJI LIST  
in Serbo-Croatian 12 Feb 92 p 12

[Interview with Zarko Miljenovic, director of the Bureau of Planning, Analysis, and Forecasting of the Republic of Croatia, by Deana Knezevic in Zagreb, date not given. "War Inflation"]

[Text] Although it is still in the same place, set off a bit from government offices, but in the very heart of the city, on Stroumayer Square, the Bureau for Planning, Analysis, and Forecasting of the Republic of Croatia is passing through a quiet transformation during which a conventional government institution could turn into a modern research facility, just independent enough from politics as is necessary to be professionally competent. The need for such an institution arose with the very first steps of Croatia's independence of the former federation, when it was becoming increasingly independent in shaping its economic policy, but today the bureau already has a completely defined and, one would say, essentially "upgraded" function in that area, and it is operating as the most authoritative analyst of economic trends and the initial proponent of macroeconomic policy being furnished to the bodies of the government and Assembly.

Zarko Miljenovic, director of the bureau, which operates as part of the newly established Ministry for Economic Development, is to some extent, then, the person most responsible for short-term forecasts of the trends of prices, wages, and salaries, the exchange rate of the dinar, and the situation on the market. Although it is as a rule a thankless task, especially under wartime conditions, to be concerned with short-term predictions, Miljenovic has no worry on that score and is professional. What is more, he is mindful of the influence of what is said in public and of the media as an intermediary, and so he takes advantage of the occasion to shatter an illusion.

"A mistaken belief is being created through the media that personal incomes have been frozen. The basic policy

in the income sector is for them to be determined independently at the enterprise level. If we are to achieve that, all enterprises, in the economy and in noneconomic activities, have been divided into five groups. The most numerous group, representing a work force of 539,000, is made up of business enterprises operating under competitive conditions, which do not have a monopoly such as is held, for example, by the electric power industry.

"These, then, are mostly socialized enterprises whom we have accused of eating up their own capital. It has turned out that the macroeconomic pressure was quite sufficient and that incomes have followed the trend of production even without administrative regulation. The index number of personal incomes was 48, and that of production 55. Salaries have not been rising more rapidly, because the inflationary ties between the economy and the banks and between the economy and the government have been severed. The banks are under the magnifying glass of foreign consultants, they are interested in their reputation, and they are steering clear of bad loans. This especially applies to the larger banks such as Zagrebacka banka (Bank of Zagreb). To be sure, under purely market-oriented conditions, in that situation enterprises would be laying off 30 percent of their work force and slowing down the drop of real earnings."

[Knezevic] But then we would have two wars at the same time.

[Miljenovic] Yes, we would also have the internal war, and that is why it did not happen. In any case, it has been confirmed that there are no reasons for conventional regulation of incomes in the economy.

[Knezevic] The pressure on prices is also increasing for other reasons, not only because of incomes.

[Miljenovic] Inflation has causes related to the war and the budget deficit. For most of last year, the war was financed by borrowing from the economy. The army would order goods, but it could not pay for them. Nor were there any fiscal revenues because of the reduced business activity. A sizable portion of enterprises was getting along by not paying taxes, and the printing of money began. In the last quarter, that money turned up even in the economy, and then inflation jumped from 7 to 8 to 25 percent per month. There might even have been a still larger rise of prices if the economy had not been offsetting that expenditure for war through savings. But if we had frozen prices, there would have been no goods. Only in December was inflation somewhat lower—17.6 percent, and then in January it dropped to 16.9. It is good that it is not the 40 percent they have in Serbia, where it jumped up very rapidly after they began to pay out foreign exchange savings in dinars. But only when the monthly rate of inflation is less than 10 percent can prices begin to stabilize, because then the internal psychological generator of inflation ceases to operate.

[Knezevic] The key to inflation, then, is in the budget, but can it be kept under control now?

[Miljenovic] The most important thing in economic policy for this year was to finance the budget from real sources. The deficit is immense. It amounts to about \$1.5 billion, or 17 percent of the social product. That deficit includes updating the infrastructure, housing, aid to the refugees, and then there are all the costs of the army, the return of the displaced population. And we said that only 5 percent of that deficit could be covered from primary note issue. Real sources must be found for all the rest.

[Knezevic] What are the real sources at this moment? Where is there enough sound money now to finance the budget?

[Miljenovic] By raising rates a bit, we increase tax pressure, but that will not have a large impact. The lowest rate of 4.5 percent (on earnings under 10,000 dinars) applies to the largest volume, and the rate of 9 percent applies to the next bracket, which is from 10,000 to 20,000 dinars. The high tax rates "hit" a small group of employed persons. We have also raised taxes a bit on goods whose demand is inelastic.

However, the mandatory loan of the economy at the level of 50 percent of calculated depreciation is important. This represents strong pressure on enterprises, because it applies to liquid assets. This amounts to introducing a charge on business assets through the back door. This is the charge for the use of socialized resources. In market economies, a tax is paid on profit, but in our case that profit is not indicated realistically. Some are exempted from that obligation, infrastructural enterprises, for example, but all others are affected and now they are screaming. People do not realize that someone must pay for the war. It has been calculated that about \$100 million would be collected in that way. The state will issue bonds on the money collected, and in a few years this should be returned to the economy.

In spite of that, a hole still remains in the budget, and we have said that we will sell state property, housing and enterprises, and in that way we will amass another \$300 million. That method is well-accepted in the world outside as well, because it is natural for us to first do as much as we can ourselves, and only then seek credit or assistance. The humanitarian aid we are now receiving is important to us, and it amounts to about \$20 million a month.

We are also planning what is referred to as a patriotic loan, which as a technical matter will be administered by a Bavarian bank. The group targeted are Croats throughout the world; it is possible that others may also be included, attracted by the mandatory revaluation and competitive interest. We would have to cover the remainder of the budget with cash from abroad, but so far everything has been held up as we waited for recognition and for the war to die down.

[Knezevic] Croatia is being looked at under a magnifying glass from every angle. Who are all the people looking at us now, and why?

[Miljenovic] Since recognition, we have come onto the horizon of international institutions: the European Community, the International Monetary Fund, the World Bank, and diverse foreign institutions generating information for their own respective economies. They besage the bureau every day requesting data of every kind. They all assume that the war will die down. As for big capital, the assessment of the IMF is crucial. We believe that they will accept us as a member in the regular autumn meeting, but a prerequisite for the fund to accept us is recognition by the United States.

All plans are based on the dying down of the war at the moment. Advantage should be taken of that. Any talk about money depends on whether the political situation will calm down. But now the situation is complicated once again, and if it goes on that way, it will all be in vain.

[Knezevic] Has the pressure for introducing a war economy been rejected, or is it perhaps even getting stronger?

[Miljenovic] That pressure really has been strong, whether it has come from circles wanting power or from those who do not see their place in the market-oriented option. Had we made the transition to controlled supply, we would have experienced a collapse back in January. A million people whose contribution cannot be replaced by any general staff have been included in the market system. For example, now we have hundreds of marginal milk producers who would halt deliveries tomorrow if there were a freeze. But that desire for distribution of all manner of things, from housing to bread, still exists. We have won praise in the world for that market concept. It has even reached President Tudjman, so that I think we have sufficiently strong support. The war economy would take us to ruin.

[Knezevic] How has the domestic economy reacted to the truce?

[Miljenovic] At the height of the war, there was a danger of inflation at 40 percent per month. Last month, inflation was 16.9 percent. As soon as bullets stop whistling over one's head, optimism awakens. All at once there was an increase in the number of job vacancies. The economy reacts very quickly to good news. No one knows better that there is no money outside the market. Unless things take a bad turn, in one or two months production will begin to rise, which is very important, because now there is high pressure on prices because of reduced production. Optimism spreads quickly. The sale of housing and the patriotic loans and other things depend on that.

While the war is going on, people do not even pay their rent, much less buy apartments. If the situation calms down, even in March and April we would have an inflation below 10 percent. By the end of the year, production would be up 25 percent comparing December to December. That is a big jump.

[Knezevic] What will be the trend of incomes this year?

[Miljenovic] In economics, this is clear—reconciliation of supply and demand on the personal income market. We nevertheless calculate that there would no longer be the current real decline for this year. But that depends on how the overall model of economic policy functions, above all the functioning of the budget deficit. During the first quarter, the salaries of budget beneficiaries cannot rise. But because adjustments were made in December, we assume that they will put up with that. The entire army, both the standing army and reserves, are financed from the budget.

As for public enterprises, representatives of the government sit on their managing boards, and so influence is exerted on incomes through them. They have been told to hold the line on personal incomes in the economy, and we feel that their incomes are under control. The fourth group is made up of the SDK [Social Accounting Service], the banks, and similar institutions, which also must follow the first group, that is, the economy. In the fifth group are losing operations which are raising incomes the least and are no longer critical, because they do not have the unreserved support of the banks. Only that largest group of employees in the economy is critical, however, it behaves rationally.

[Knezevic] If so much of that depends on reduction of the budget deficit, and if a prerequisite for that is that the war die down, how will inflation be kept under control in the meantime?

[Miljenovic] The entire model is based on inflation programmed between 7 and 8 percent per month, which ought to cover this disorder. During January, the budget "entered" the banking system. But so long as the monetary aggregates that have been set are respected, the source does not matter to us. In the first quarter, the money supply must not exceed 16 billion dinars. For the present, that limit is being respected, and that is important. If the planned sources for reducing the budget deficit should fail, the budget must adapt to those sources which can be secured, and, of course, spending must be cut back. Additional printing of money has been excluded.

[Knezevic] What is the forecast for the movement of the Croatian dinar?

[Miljenovic] Because we are counting on a monthly inflation under 10 percent, I believe that the exchange rate must be adjusted, but not yet. The rise of prices in January included changes in tax policy and changes in the exchange rate of the Croatian dinar against other currencies. According to estimates done for the analytical purposes of the bureau, the average value of the German mark would be 70 dinars for the entire year, and that of the dollar 120 dinars. Because exports must be stimulated, we cannot keep the exchange rate for a long time at an unrealistic value of the dinar. But we must first know what the relation is between exports and imports, and this is now being ascertained.

[Knezevic] Let us suppose that continuation of the war nevertheless does not impede economic policy. Do you think about how it will be affected by the elections if they are still held this year?

[Miljenovic] Yes, I will give you an example. We commissioned a team of experts at the Zagreb Economics Institute to do a study on the long-term development of Croatia that would realistically examine the possibilities for the inflow of foreign capital, so that once again election points would not be gained on false promises. Optimism will be included in those assessments, but only realistic optimism.

[Box, p 12]

### The Government Is a Large Customer

The Croatian economy has now found itself on a small market, and some branches of the economy now have a monopoly position. The pressure on prices is turning into manipulation of production. That is why it is important now to achieve the openness of that economy, to strengthen exports, and that to all markets, and imports come by way of exports. It is they that must keep the monopolist under control.

A very strict policy of public purchases is conducted in the European Community. If it wants to buy something, the state must respect the principles of competition and organize competitive bidding. Our state has begun to order without asking the price. We have called this to the attention of the finance minister. We noticed that prices in the metal manufacturing industry rose very rapidly. We know that they did not increase their sales on foreign markets, that demand on the domestic market is limited. Who has bought so much from them that they could hike up prices? The state! It is, of course, good that our enterprises are getting the business, but even they cannot cover all of their shortcomings thanks to the war. That is very unfavorable even from the standpoint of stabilizing the present inflation, much less reducing it.

### Restructuring of Serbian Economy Urged

92BA0521A Belgrade BORBA in Serbo-Croatian  
10 Feb 92 p 9

[Interview with Dr Zoran Popov, professor in the School of Economics of Belgrade University and member of the Economic Council of the Government of Serbia, by Bojana Jager, place and date not given: "We Have Used Up the Right To Make a Mistake"]

[Excerpts] Now that the country's socioeconomic system has fallen apart, each republic faces the dilemma of how to get away from the socialist economy. Serbia obviously faces two alternatives in that context: either to truly transform its economy with a market orientation or to seek short-term salvation in a command economy in which the government will continue to figure as the custodian of public property and unsuccessful equilibrist among the growing needs of social welfare. Recently the



republic government formed its own Economic Council. We talked about what Serbia is to do in this time of disintegration "in a house that is neither here nor there" with Dr. Zoran Popov, a member of that council and a professor in the School of Economics. [passage omitted]

#### Privatization in First Place

[Jager] You actually think that Serbia must draw up as soon as possible a very specific program for getting out of the economic crisis?

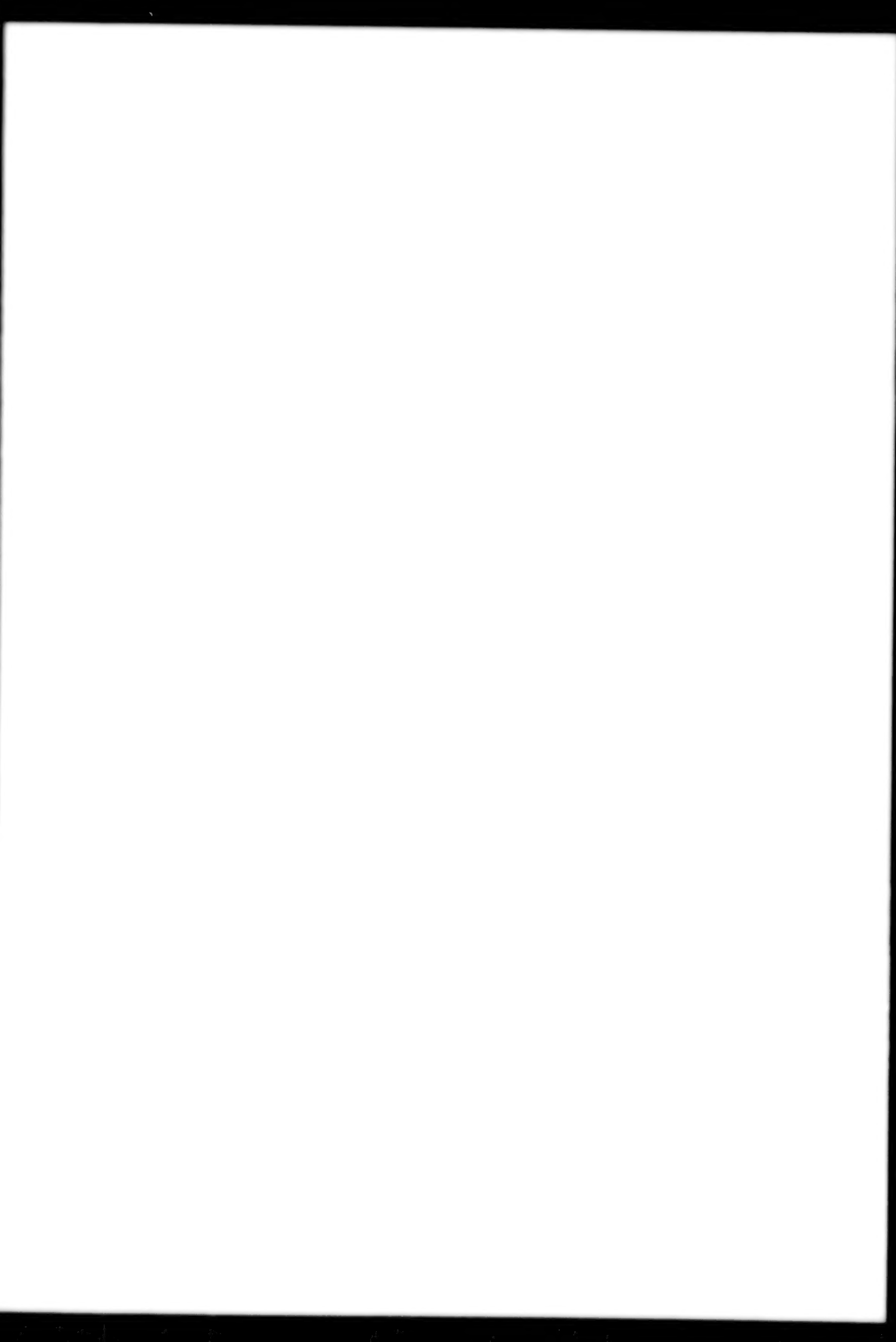
[Popov] It is certain that neither the EC nor the United Nations is going to prepare it for us, but we must do it ourselves. Because Serbia has committed itself in its new constitution to a law-governed state with civil democracy, it follows that no party any longer has the moral right, as the former League of Communists did, to make the people happy in the old way. That, then, would mean that the government should prepare and the Assembly adopt a program for market-oriented transformation of the economy of Serbia. Within it, it is essential above all to clear up dilemmas related to property relations and the character and economic functions of the state. In all market economies, private ownership is the dominant property form, so that in this sense the program for market-oriented transformation of the Serbian economy must be clear and uncompromising. The decision on equality of all forms of ownership is not acceptable. Because social ownership is the most inefficient form of ownership, it will disappear in and of itself if this decision is retained. That portion of social property which is not nationalized or transformed into state ownership will soon be grabbed up by the workers and managers in one way or another. That in fact would not be so terrible if that capital were promptly invested in new private enterprises. But there is a danger that part will be spent unproductively and part will be transferred abroad. What is more, if that kind of spontaneous privatization occurs, we are threatened with the danger of quickly being left even without what little social capital remains. Also, if present regulations are retained concerning the sale of social capital to the workers and managers, the Serbian economy could be privatized in 50 to 60 years (depending on the size of the population and how much individuals save). We cannot, of course, wait that long to resolve the economic crisis. What is more, in a mixed economy created in that way, which clearly would be less efficient even than the old self-managed economy, it would not be possible to avoid spontaneous privatization nor its consequences. I think we must urgently seek ways of speeding up transformation of the ownership of the Serbian economy in order to arrive at an ownership structure as similar as possible to the one in up-to-date market economies.

[Jager] Will the government in Serbia renounce its present dominant role over the economy even though at the moment it justifies its firm grasp on the conductor's baton in terms of the gravity of the economic situation in a time of war and political chaos in Yugoslavia?

[Popov] If the first issue is appropriately resolved, then the economic function of the state has by and large been determined. That is, when an economy is privatized, then the economic role of the state is automatically reduced to the customary functions (the conduct of economic policy, stimulation of competition, fighting monopolies, the conduct of agricultural policy, aid to underdeveloped areas, etc.). However, there is something else which is specific to our context. All of our enterprises, that is, even in Serbia, have for all practical purposes been ruined. If they are privatized in that condition, the question is how they will recover. One solution would be for foreign firms to buy them, they have the capital and the knowledge to turn our ruined enterprises into good and profitable ones. But we can hardly expect that foreigners will be ready to do that, even if they can buy our firms very inexpensively. The citizens of Serbia on the other hand do not have the money to buy the enterprises, much less do they have the capital to invest in restructuring those which have been ruined. Because certain enterprises were not restructured in time, we face a situation in which for all practical purposes at this point we must restructure the entire economy of Serbia. If this is not done, it will sooner or later grind to a halt. The government must certainly help in that task, in a manner that would have to be elaborated in the program for market-oriented transformation of the economy of Serbia. Privatization is the central question in that program, but a long-range plan for recovery of the economy should be its essence.

[Jager] Is that specifically the task of the newly created Economic Council which the government of Serbia established the other day?

[Popov] That is one of the possible alternatives, and in that case the council would mainly limit itself to matters of a long-term nature (preparation of the transformation program), and to matters of economic policy. However, should its work be reduced to rendering an occasional professional opinion of acts of the government, then the benefit from it will be negligible. All the advanced Western countries have some kind of similar economic council. Up to now, that has not been our practice, although we have had countless commissions, councils, and similar bodies. But they have not been asked to help, that is, to commit themselves professionally on a specialized job but they have mainly served as a decoration or screen.



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